

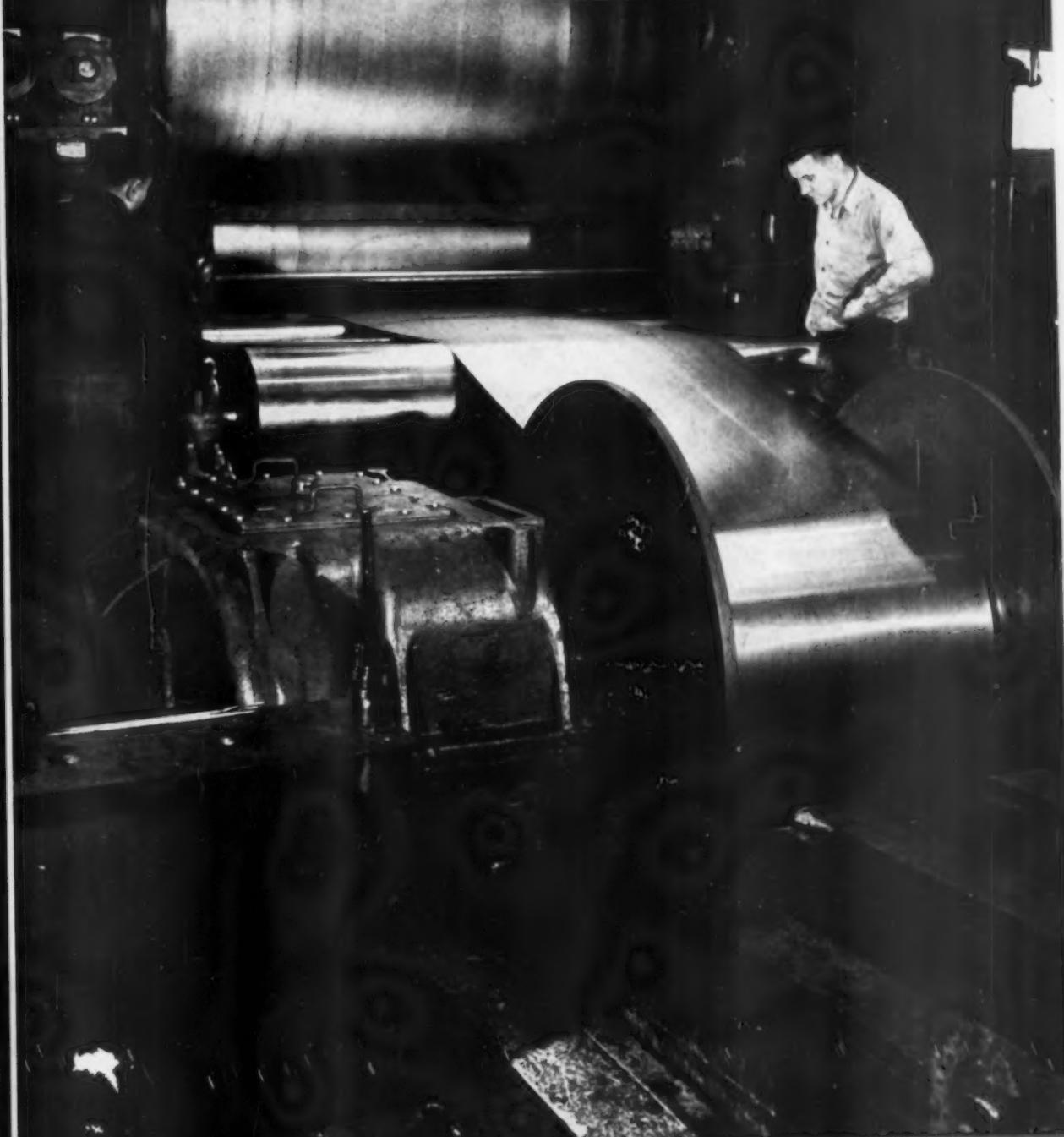
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BUSINESS
WEEKLY

Year
ago

Week
ago

BUSINESS WEEK



STEEL FOR INDUSTRY—Republic Steel dedicates its new
Cleveland mill, a colossus in an industry wherein all is gigantic.

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ENTS

Improve Your Product with Tubing —



Did you ever realize that tubing could be had in so many shapes?

And these are only part of the wide variety available in ELECTRUNITE—the modern electric resistance welded tubing that is helping manufacturers to make their products lighter, stronger, lower in cost and easier to sell.

ELECTRUNITE Tubing offers a consistent uniformity unattainable in tubing made by other processes. It is available in a wide range of analyses, shapes and sizes. It presents unlimited possibilities in design. It is easy and economical to fabricate.

As the world's largest producer of electrically welded tubular goods . . . with broad experience in the manufacture and application of tubular products . . . Republic stands out as the logical place to come for advice on all tubular

problems and for your supply of tubular goods.

You can profit by asking for full information on ELECTRUNITE tubing, boiler tubes and Steeltubes electrical conduit—on Republic merchant pipe, Toncan Iron pipe, line pipe, oil well casing and tubing, water well casing and corrugated metal culverts. Republic Steel Corporation, Cleveland, Ohio.

Facts about REPUBLIC

Developed a new heat-treated casing that increased safety in deep well drilling. • Originated and pioneered light wall threadless conduit.

Republic Steel

NILES STEEL PRODUCTS DIVISION

STEEL AND TUBES

BERGER MANUFACTURING DIVISION

UNION DRAWN STEEL DIVISION

TRUSCON STEEL COMPANY



A STROKE OF LIGHTNING IN A RUBBER HOSE

A typical example of Goodrich improvement in rubber

EVER see a man cleaning the rough spots off metal? He uses a blast of sand, roaring out of a hose nozzle at 85 miles per hour. Efficient for cleaning, but the tiny sand particles built up hundreds of thousands of volts of static electricity in the hose and caused a spark between lining and cover of the hose (actually a tiny stroke of lightning) which punctured the hose, let air pressure escape, ruined the entire length, and often knocked the worker down.

Goodrich engineers set out to overcome this danger and waste. A grounded wire would do it, but a wire

inside the hose was worn out by the blast of sand, wire outside still allowed the destructive spark. Finally Goodrich developed a hose construction with a wire spiraled between the all-rubber hose lining and the outer rubber-and-fabric wall. The spark jumps to the wire through the rubber, but the resilient rubber seals the hole and no damage is done—the spark never penetrates the hose wall. Workmen are no longer knocked down, efficient hose life is multiplied, cost to the user goes down.

This safer, longer-lived product is a typical example of Goodrich research

which is constantly at work to make every Goodrich product—hose, belting, packing and everything else—last longer and serve you better. Every time you buy from a Goodrich Distributor you receive all these important improvements which Goodrich research has poured into mechanical rubber goods. The B. F. Goodrich Company, Mechanical Rubber Goods Division, Akron, Ohio.

Goodrich
ALL *products* *problems* IN RUBBER

STREAMLINED



AS AN AIRLINER



Steel
OFFICE CHAIRS
Styled In The Spirit
Of Today's Business

● We proudly present the Cavalier Suite of steel chairs—the newest and smartest in the Harter Line.

In harmony with the latest trend in office designing—the idea that the office must combine comfort and efficiency with smart simplicity—we asked one of the country's foremost designers to do a suite of steel chairs for us. The Cavalier is the result.

In these new chairs the best of modern, flowing lines is blended with the traditional comfort and sturdiness of Harter Steel Chairs. The Cavalier Suite will give individuality and distinction to any office interior.

Harter also leads in posture seating, with chairs designed to make correct posture easy and natural. There's a Harter Chair for every type of seated work.

Write for brochure: "New Steel Chairs Smartly Styled For Fine Offices."

The HARTER Corporation
 DESK 238
 STURGIS MICHIGAN

MANUFACTURER OF THE WORLD'S
 FINEST Steel SEATING EQUIPMENT

**MODERNIZE
 HARTERIZE**

NEW BUSINESS

More than 400 new house magazines showed up in 1937—result of the quickened interest in the public and industrial relations of business. To help the good work along—and make it better—a course of seven lectures on house magazine editing will begin Mar. 24 under the chairmanship of Robert Newcomb of Robert Newcomb & Associates, consultants on house magazines, 56 W. 45th St., New York City. A \$10 fee will bring students the advice of an imposing list of specialists in this field.

Taking a tip from the book clubs, RCA Manufacturing Co. has started the Victor Record Society. To join, you pay \$6 and buy \$9 worth of Victor records of your own selection. Thereupon RCA throws in a new record-player instrument to reproduce records through your radio set, ordinarily costing \$14.95. Additional record purchases open other privileges and, of course, the idea is to sell more records.

The wear and tear of circus life has always been too tough for the toughest thing on two legs, the African gorilla. But science may now have solved the problem presented afresh by Gargantua the Great, the big gorilla that Ringling Bros. Circus is getting ready to start on the road from its Sarasota, Fla., winter quarters. Carrier Corp. has been given the job of building for Gargantua a glass-enclosed traveling cage equipped to maintain the temperature and humidity to which he was accustomed in his Congo jungle. If he survives the 1938 tour, he'll be a swell advertisement for air conditioning. If his keepers survive that 500 lb. of viciousness, they'll be lucky.

Not the least important question raised by the spectacular use of polarized light to eliminate automobile headlight glare and for other purposes has been the question of who controlled the patents involved. Answer this week: the Polaroid Corp., manufacturer of the light-controlling material of that name, has acquired control of all patents relating to this subject which were formerly held by Dr. L. W. Chubb, Westinghouse director of research, and his associates in Polarized Lights, Inc. Dr. Chubb and certain of his colleagues become stockholders in Polaroid.

Important part of the annual dinner program of the Automotive Parts and Equipment Manufacturers' Association dinner was the report of General Manager C. O. Skinner showing how good a year 1937 was. It revealed that last

year the parts industry did about \$2 billion dollars' worth of business; that 320 companies paid out near a quarter-billion in wages for nearly 300 million man-hours—averaging 76¢ an hour; that 250 of the 378 member companies of A.P.E.M. now have contracts with the United Automobile Workers.

For two years vacation-bound passengers on the Atlantic Coast Line's "Florida Special" have enjoyed the radio, a piano, and games in the train's recreation-entertainment car. Now the



railroad has added motion pictures to the program. Three showings are given daily of a 45-minute program made up of comedies, cartoons, sports, and other shorts. The car seats 60.

Latest example of the fascinating things you can do with conveyors is provided as one of the wonders of the Golden Gate Bridge where they were confronted by the tough job of getting sacks of coin paid as tolls (50¢ each for 25,000 vehicles a day) into a safe in the teller's cage located 16 feet below the toll captain's office. The practical solution was found in a spiral metal chute, 42" in diameter, 14' high, specially designed, fabricated, and installed by Mailer Seales, Inc., Pacific Coast Division of Mathews Conveyor Co. The toll captain drops his sacks (a lot of the money in silver dollars) through a trapdoor in the chute. Rubber padding in the bottom of the safe cushions the drop.

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THE same caution that guided you in insuring your home and business against fire should point out the wisdom of protection against other hazards. Yet every year serious losses are suffered by business men from hazards against which they could have . . . and should have . . . insured.

Good management does not tolerate any risk of financial loss that can be evaded. For a loss is a loss, no matter what the cause. And there is a North America policy available for

practically every conceivable threat of financial setback. Ask a North America Agent, or your broker, to check your insurance program for dangerous loopholes. Ask him, too, to explain the North America loss-prevention engineering service for reducing both hazards and rates.

North America Agents may be found in the Classified Telephone Directories under the name and identifying "Eagle" emblem of Insurance Company of North America.



Business and Industrial

interests are dependably and completely served by North America Protection. A few forms:

FIRE • EXPLOSION • WINDSTORM
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BURGLARY • ROBBERY
PROSPECTIVE EARNINGS (Use and Occupancy)
RENTAL VALUE • RENTAL INCOME
SPRINKLER LEAKAGE
PARCEL POST • SALESMEN'S SAMPLES
MARINE
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FIDELITY and SURETY BONDS

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EMBARKING ON BERMUDA CLIPPER, BALTIMORE HARBOR, 1936

Five and a half hours from Baltimore to Bermuda...18 hours from New York to Los Angeles...11 hours from Chicago to Miami...from winter to summer. Travel clothes were never more important...nor were they ever smarter than those tailored in Hockanum's new casual woolens and Shetlands. Only fine fabrics could have achieved the brilliant colors which distinguish them. You will find costumes in Hockanum Woolens such as these...many designed especially for The Younger Crowd...and Hockanum Fabrics by the yard...at good shops everywhere.

H O C K A N U M
Woolens

Hockanum Mills, Rockville, Connecticut. Founded 1809

Division of M.T. Stevens & Sons Co., North Andover, Mass. J.P. Stevens & Co., Inc., Selling Agents, 261 Fifth Ave., New York

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau) — Hitler's goosestep into Austria, with possible continuation into Czechoslovakia and the Polish Corridor threatening world war, will affect almost everything that is done in Washington from now on: naval construction, merchant marine, army expansion, taxes, Sec. Hull's reciprocal trade program, perhaps even government reorganization.

Shift in Sentiment

Most obvious is the swing already under way among a very considerable group in this country which believed strongly in peace by example and negotiation rather than peace through fear of American might. Mrs. Roosevelt, urging a bigger navy to preserve peace, illustrated this change even while she shocked many of her followers. Some Senators who heretofore have feared that armament programs make wars more likely have swung over to the national defense idea as the most effective means of resisting the aggression of dictatorships.

Hull Policy Proves Useful

Visualization of the "three predatory powers, all run by dictators" is real in Washington. Germany, already on the blacklist so far as tariff concessions are concerned, gives a new twist to the Hull trade idea. Advocates are already clamoring to blacklist the other countries which menace world peace. Without contemplating such a development, Hull built a strong foundation for this new movement by selling his reciprocal trade policy more on the basis of preventing wars and preserving peace than on the intrinsic merit of resulting trade increases.

Headed for the Blacklist

Austrian goods will continue to receive most-favored-nation treatment for the time being. Insiders say, however, that this policy will soon develop into an impossible situation as it will not effectively prevent Germany from routing via Austria goods blacklisted by this country because of the Reich's unilateral trade policy. Pending action by the other great powers, the State Department will not act, however, for blacklisting of Austrian goods would constitute left-handed recognition of the German conquest.

Shipping Act Changes Loom

National defense arguments now seem certain to push revision of the Mer-

chant marine act through Congress this session. Liberalized subsidy provisions, recommended by the House Committee this week, were also extended to include transoceanic air routes and intercoastal vessels meeting naval auxiliary requirements.

Consider TVA Fight Won

Supporters of TVA are covertly content by the decision to have a Congressional investigation, are convinced that



Underwood & Underwood

SEN. GEORGE NORRIS

TVA's champion agreed to a Congressional investigation.

it will wind up with Dissenter Arthur Morgan, long a thorn in their flesh, branded as a sincere but impractical idealist. Sen. Norris' fight for an inquiry by the Federal Trade Commission has been lost but his objective has been won—the probing committee will not be packed with TVA opponents.

Marble Tombstone?

The marble that Sen. Berry did not sell to TVA is destined to become a vital factor in the senatorial situation in Tennessee. The President is so anxious to continue a sure pro-New Deal vote and to avoid substituting independent Rep. McReynolds for Berry in the Senate next session that he risked the ire of Rep. Sol Bloom of New York, who'd succeed McReynolds as chairman of House Foreign Affairs, and whitewashed Berry's attempted raid on the unhappy Muscle Shoals triplets. Reports from Tennessee indicate that voters may insure anyway, though Berry's new opponent is not officially picked yet.

Wage-Hour Bill Push

Administration leaders who believe that the American Federation of Labor was responsible for defeat of the wage-hour bill last session now are confident that the Federation's support will put through legislation this session. Sec. Perkins was definitely removed from the picture at this week's conference of the President and Federation leaders. Wage-and-hour standards will be jockeyed to a point that will produce the maximum number of House votes.

Plugging for PWA

The American Federation of Labor and other partisans of public works are preparing a drive to get a big cut of the next relief appropriation for Sec. Ickes. Revival of the old row will be sprung by a bill that Rep. Beiter is drafting to appropriate \$750,000,000 for PWA. The total that Roosevelt expects to ask Congress this session for carrying on the relief program next fiscal year is \$1,000,000,000. Hopkins' WPA will get the lion's share, but the unions, with their eye on the "indirect" jobs created by heavy constructions, probably will be able to secure another lease on life for PWA.

Solving Carrier Conundrum

In the White House approach to solution of railroad problems this week, more drastic control over railroad holding companies loomed as the probable first step. That much is within the bounds of action by Congress this session. Tightening up the railroad plant by forced consolidation—long forecast as Roosevelt's policy and definitely revealed as such this week—will go over till next year. The President seeks to appease the opposition of labor by assurance that the Government will take care of displaced employees.

Railroad Wage Strategy

Opposition of the rail unions to a wage cut has been stiffened by plain inferences that the Administration is not in favor of it. The managements will ask for more than they hope to get and may get nothing in the opinion of arbitration officials, who believe the companies would fare better by frankly proposing removal of last fall's increases on the argument that those wage advances, averaging 7%, have been shown by the subsequent slump in business to be unwarranted. There's some discussion of a temporary deduction from pay envelopes, a compromise adopted several years ago, but the majority of carriers seem to be opposed

USE LESS STEAM IN WASHINGTON, D. C. APARTMENT HOUSE

**Webster Moderator System Helps
St. Nicholas Apartments to
Reduce Heating Costs**

RESULTS "VERY SATISFACTORY"

**Well-Balanced Heat Distribution
Insures Perfect Comfort in
Severest Winter Weather**

ENGINEERING SERVICE LAUDED

Washington, D. C.—Fuel savings and improved heating service achieved in the St. Nicholas Apartments have fully justified the cost of a Webster Heating Modernization Program.

This is the judgment of Frank O'Connor, of Simmons Properties, managing agents for the St. Nicholas Apartments, after two complete heating seasons with the Webster Moderator System.

The heating of the St. Nicholas Apartments, a modern building in a valuable residential neighborhood, was brought up-to-date in the summer of 1935 after careful investigation had shown heating modernization more likely to be self-liquidating than any other building improvement.

"Heating results since modernization have been very satisfactory," Mr. O'Connor said. "The Webster Moderator System is efficient and noiseless in operation, and accomplishes even distribution of heat throughout the building.

"Webster engineers worked with us to insure correct application of the Webster Moderator System and stayed on the job until the system was operating with maximum efficiency."

By adjusting steam supply more closely to need, the Webster Moderator System has given apartment residents added comfort and corrected an important source of heat loss. Even distribution of heat throughout the building is accomplished with Webster Metering Orifices. An Outdoor Thermostat adjusts the basic rate of steam delivery with every change in outdoor weather or wind conditions. A manual Variator allows the operator to regulate steam supply for all special conditions.

A. Randolph Clarke, well-known Washington heating contractor, made the heating installation in the St. Nicholas Apartments. The modernization program included new Webster Traps for all 231 radiators.

These before-and-after facts point the way to maximum comfort and economy in heating new buildings as well as in modernization or existing installations. Consult your architect, engineer, or heating contractor. Or address



St. Nicholas Apartments
Washington, D. C.

to binding themselves to automatic restoration of full wages on a certain date.

Plaint of the Truckmen

Organized truckmen are afraid that the particular problems of regulating their industry will be lost in the railroad shuffle. To speed enforcement of the Motor Carrier Act, the Interstate Commerce Commission has proposed several amendments with which the industry is not in entire agreement, particularly with reference to expanding ICC's power in granting railroads authority to acquire truck lines. Over-the-road haulers want companies performing pickup-and-delivery services for the railroads brought under regulation. The ICC will never catch up on its job of regulating motor carriers until its staff is enlarged, but Congress has cut its budget again this year.

Business Will Miss Draper

Assistant Secretary of Commerce Draper's promotion to membership on the Federal Reserve Board removes the only point of contact that business had with the Commerce Department. Prior to the little business men's conference this contact was cordial, even if ineffectual, in putting the business point-of-view before the White House. Without coming to a break with Sec. Roper, Draper has tired of the job of aspirin-dispenser. He did good work in building up the department's census and trade promotion services. John D. Biggers, of Libbey-Owens-Ford, prominently mentioned for the post, is not a candidate.

Keeping Little Men in Check

Sec. Roper and his aides are actively discouraging organization of little business men. Committee chairmen of the recent conference in Washington were received this week by Roper only after Assistant Sec. Draper had been publicly charged with stalling. Members of the group seeking to form a permanent advisory council of small business men, in line with President Roosevelt's original suggestion, were told by Draper that he did not think they ought to have a meeting because they do not have anything to offer in the way of a constructive program. The Administration's sole object now is to prevent the movement from becoming a greater political liability. Organization plans were pushed at this week's meeting, however, by the delegation that told Roosevelt where to get off a month ago. This bunch is trying either to absorb or head off other groups that are springing up (BW—Mar 5 '38, p5).

Sales Data Roundup

Up-to-date information on wholesale and retail sales, inventories, and payrolls will be furnished by the Census

Bureau's survey for the four quarters of 1937 and the first quarter of 1938. All data will be collected and compiled for identical establishments. Retail cash sales, open account sales, and installment sales will be segregated, and terms of wholesale sales will also be shown. Schedules are now being mailed to several hundred thousand outlets. Individual reports are confidential.

Housing Act Goes to Work

Revision of the Wagner housing act will not be pushed this session. Nathan Straus' U.S. Housing Authority is finding the mandatory 10% local contribution less onerous than anticipated and is in process of securing final approval for its first actual allotments to local low-rent projects. Next January, if the program lags, amendments will be proposed but they will aim at more flexibility in the local contribution rather than its elimination.

Putting Cash on the Line

Good behavior should be rewarded. Sec. Wallace appreciates the 9-1 vote of cotton farmers in favor of the Department of Agriculture's program for drastic curtailment of the 1938 crop. He wants Congress to make available at once the \$130,000,000 of adjustment payments on the 1937 crop—and South Carolina's Sen. E. D. (Cotton Ed) Smith wasted no time in introducing the appropriate legislation. The move contemplates payments of \$130,000,000 this spring instead of next autumn.

Tariff Wall for Polish Ham

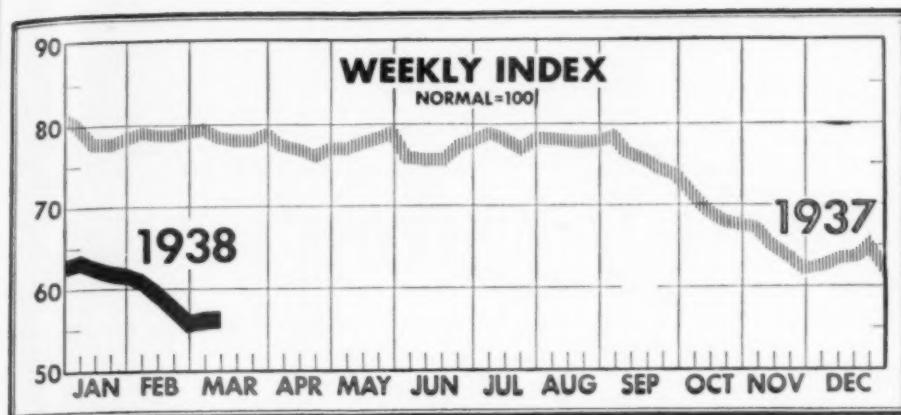
The 6¢ excise tax (tariff to you, but nobody likes that word in Washington since the early Hoover days) voted by the House on imports of pork products will raise Cain. It was engineered by the packers, who claim that it will help the domestic hog industry. It hits at Polish and other Central European hams. The tax, likely to be sustained for Senators love the hog raisers, will embarrass Sec. Hull in his reciprocal trade policy. It's whispered that Hull may spank somebody. Also, he may forget to press other countries for a reduction in duties on pork. He could go so far as to cut an excise duty on our imports in half, but that might turn Congress against the whole program.

Cottonseed Going Up

One effect of the cotton control program voted by the farmers this week will be a reduction ranging up to 40% in the supply of cottonseed and a sharp increase in its price, with resultant effects upon the margarine and butter markets. Some qualified observers even predict that if present trends continue cotton fiber will become the by-product, and cottonseed the main source of income in the South.

1888 WARREN WEBSTER & CO., CAMDEN, N.J. 1938
Pioneers of Modern Steam Heating
50 YEARS OF HEATING PROGRESS
Representatives in 60 principal U. S. Cities

BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	57.2
Preceding Week	57.1
Month Ago	60.4
Year Ago	79.2
Average 1933-37	64.7

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Steel Ingot Operation (% of capacity).....	32.1	29.9	31.0	88.9	51.4
Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$5,471	\$5,507	\$8,018	\$8,732	\$5,025
Engineering Construction Awards (Eng. News-Rec., 4-wk. daily av. in thousands).....	\$9,370	\$9,420	\$9,626	\$7,824	\$4,986
Bituminous Coal (daily average, 1,000 tons).....	1,069	1,106	1,255	1,851	1,412
Electric Power (million kw.-hr.).....	2,015	2,036	2,052	2,213	1,775

TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Total Carloadings (daily average, 1,000 cars).....	92	91	94	122	102
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	60	59	59	79	65
Check Payments (outside N. Y. City, millions).....	\$3,597	\$4,387	\$3,371	\$4,226	\$3,601
Money in Circulation (Wednesday series, millions).....	\$6,334	\$6,343	\$6,306	\$6,376	\$6,064

PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.92	\$0.96	\$1.03	\$1.36	\$0.95
Cotton (middling, New York, lb.).....	9.01¢	9.16¢	8.86¢	14.70¢	11.33¢
Iron and Steel (Steel, composite, ton).....	\$38.83	\$38.84	\$38.94	\$39.99	\$32.95
Copper (electrolytic, Connecticut Valley basis, lb.).....	10.000¢	10.000¢	10.000¢	16.250¢	9.733¢
Moody's Spot Commodity Price Index (Dec. 31, 1931 = 100).....	149.2	150.6	148.1	219.9	154.6

FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Bond Yields (Standard Statistics, average 45 bonds).....	6.42%	6.12%	5.88%	4.34%	4.97%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.33%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	1.00%	1.00%	1.00%	.75%	1.26%
Business Failures (Dun and Bradstreet, number).....	269	242	306	170	268

BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,594	2,563	2,594	2,454	2,712
Excess Reserves, all member banks (Wednesday series).....	1,470	1,390	1,385	1,380	1,613
Total Loans and Investments, reporting member banks.....	21,262	21,231	21,226	22,801	19,737
Commercial and Agricultural Loans, reporting member banks [‡]	4,342	4,357	4,402	8	8
Security Loans, reporting member banks [‡]	1,497	1,385	1,329	8	8
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,233	9,296	9,348	10,227	9
Other Securities Held, reporting member banks.....	3,009	3,002	2,953	3,314	8

*Factor in *Business Week* Index. *Preliminary, Week Ended March 12. †Revised. ‡New Series. §Not Available.
†Estimate based on 4 years, due to 1933 bank holiday.

These monthly averages are merely simple averages of each month's weekly figures of *Business Week's* index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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The Missouri State Capitol is one of many public buildings to "Call in Frigidaire" to solve water cooling needs.

Meats retain appetizing color, texture, and remain at profitable weight when packers, wholesalers, markets "Call in Frigidaire".



Over 2000 Local Authorized Frigidaire Dealers

plus 51 District Offices, shown on map and listed below, make Frigidaire's expert engineering service instantly available to you.

FRIGIDAIRE BRANCH OFFICES, GENERAL MOTORS SALES CORPORATION: Atlanta, Baltimore, Birmingham, Boston, Buffalo, Chicago, Cleveland, Dayton, Denver, Des Moines, Detroit, Ft. Worth, Kansas City, Los Angeles, Nashville, Newark, New Orleans, New York, Oakland, San Francisco, St. Louis, St. Paul.

OTHER DISTRICT OFFICES: AKRON, Ohio Edison; ALBANY, Graybar Electric; BALTIMORE, Carey Sales & Service; BILLINGS, Northwestern Auto Supply; EL PASO, W. G. Wals Co.; HOUSTON, Cox & Blackburn; INDIANAPOLIS, Refrigeration Equipment Co.; JACKSON, Consumer Power; LOUISVILLE, Smith Distributing Co.; MEMPHIS, McGregor's, Inc.; MIAMI, Domestic Refrigeration Co.; NEW CASTLE, Penn. Power Co.; NORFOLK, R. F. Trant, Inc.; OKLAHOMA CITY, W. C. Dance, Inc.; OMAHA, Major Appliance Co.; PEOORIA, Central Ill. Light; PHILADELPHIA, J. J. Pocock, Inc.; PITTSBURGH, Electric Products Corp.; PORTLAND, Sunset Electric Co.; ROANOKE, H. C. Baker Co.; ROCHESTER, Chapin-Owen Co.; SAN ANTONIO, Straus-Frank Co.; SALT LAKE CITY, W. H. Bintz Co.; SEATTLE, Sunset Electric Co.; SIOUX CITY, D. K. Baxter Co.; SPOKANE, Jensen-Byrd Co.; SYRACUSE, Onondaga Auto Supply Co.; TAMPA, Hyatt-Forgy Refrig. Co.; WICHITA, S. A. Long Co.

The French Line "Called in Frigidaire". Now, the ocean-conquering Northlandie is completely Frigidaire equipped with water coolers, beer and wine coolers, ice cream cabinets, storage boxes.

Like hundreds of other Super-Markets, this one preserves perishables to customers' satisfaction because the owners thought to "Call in Frigidaire".



In refrigerating foods and other perishable items . . . cooling beverages, milk, water . . . Frigidaire "Matched" Systems can save you money, time, and worry! On any size installation . . . anywhere!

● Commercial refrigeration users of all kinds will find it pays rich rewards to "Call in Frigidaire" on any size refrigeration job or type of application. First, because no matter where your business is located, the expert counsel of Frigidaire and General Motors is available to you. Second, because the economical operation, the dependable, trouble-free life of Frigidaire Commercial Refrigeration equipment has become the standard of efficiency in more than fifty different types of business and industry.

You may be losing money every day because of an inadequate or obsolete refrigerating system. Stop these losses now. Get the full facts from Frigidaire about how you may be able to increase profits for a small expenditure. And don't forget—no matter how large, nor how small your refrigeration requirement, Frigidaire can serve you. Either through your own local Frigidaire Commercial Dealer, or through the nearest Frigidaire Commercial district office. Call in Frigidaire today!



THE BUSINESS OUTLOOK

UNDER THE IMPACT of political developments in Europe and bad earnings and dividend reports at home, sentiment underwent a relapse this week. Expectations of a spring rally in business persisted—and seemed warranted—but the addition of the Spanish crisis to the budget of unfavorable news last week (the Whitney failure, the skimpy increase in freight rates, and the German seizure of Austria), was just a bit too much for the markets to stand. While the bread grains, particularly wheat, hopped up on war threats, the stock market slumped; action of the metals was not up to usual "war standards." But Washington supplied a peg for optimism as emphasis shifted from reform to recovery.

War Orders Not Enough

It was not until Wednesday that the stock market reflected the relapse. Earlier, New York stocks were strong, due in part to European buying (capital sought refuge in American markets) and in part to domestic speculation in war shares. A rearmament race is assured and United States corporations will get business as a consequence. Great Britain definitely will step up her expenditures and there will be a spillover of buying because her own heavy industries are working close to capacity. But war orders were not enough to offset the far greater fears of war itself and the domestic business situation, especially at a time when dividend and earnings announcements were still reflecting the recession.

To Revive Railroad Buying

Railroad stocks and bonds were understandably weak. As it became clear that the rate increase granted was inadequate to bring out the desired and needed purchase of new equipment, attention turned to the series of conferences on the railroad problems held in Washington. While the legislators and officials concerned wrestled with various inconsistencies and hitherto insoluble problems of court reorganization, consolidation, operating economies, and labor, nothing favorable could be predicted on the basis of actual developments. The feeling remained, however, that action of some sort was coming which would enable one heavy industry—railroad equipment—to increase operations before too many months' delay.

Steel on the Rise

The one business index which has taken a favorable turn this week is steel activity. The scheduled rate was lifted to 32% of capacity, as opposed to 30% a week ago. Actually, last week's operation turned out to have been 31% when the week finished, operations having been lifted above the original schedule. The spring upturn is now under way and should continue until the tapering off which, in recent years, has come at the end of April. It now appears probable that the spring peak will be somewhere between 40 and 50%.

Reducing Steel Inventories

Consumption of steel by the ultimate buyers of the products in which this metal is used is running currently at something in the neighborhood of 25% below the rate of a year ago. This figure is a composite of building activity and sales of automobiles at home and abroad (about 40% off), railroad orders (nearly 90% off), and various minor items, nearly all of which are off 30% or less. In contrast, steel activity itself is running 65% below the level of a year back. The explanation is that in early 1937 inventories were being built up, so that production was running ahead of consumption, and today they are being worked off. The time required to work them off is all-important to the outlook for the steel industry for the rest of 1938. With actual consumption likely to run in the near future between 45 and 50% of capacity, sooner or later steel operations will have to rise to correspond. A rise above the 50% point, into the zone of profits for the steel makers, will require a revival of consumption of durable goods and a readjustment in prices and costs.

Autos, Paper, Shoes, Rayon

Meanwhile an upturn in some of the consumers' goods industries has occurred or is approaching. Automobile schedules are being lifted gradually and with occasional interruption. "Used Car Week" has been successful in cutting down the surplus of old models. Paper, shoe, rayon, and other textile trades are prominent among those from which better reports are expected by observers. These reports to date have shown at best only a seasonal increase. A seasonal increase is grateful, however, after an autumn and winter like that of 1937-1938.

Banks Buy More Bonds

Another trend from which optimists can derive comfort is buying of bonds by banks. Between July, 1936, and the end of November, 1937, the weekly reporting member banks of the Federal Reserve System liquidated no less than \$2,200,000,000 of investments—the largest selling movement of this type which has been recorded. Since the end of November repurchases have come to \$300,000,000. In the past a substantial increase in the bank investment portfolio has generally been followed, with a lag of perhaps six months, by a revival in general business. If, therefore, the present trend continues into "substantial" figures, it will point to an autumn recovery.

From Reform to Recovery

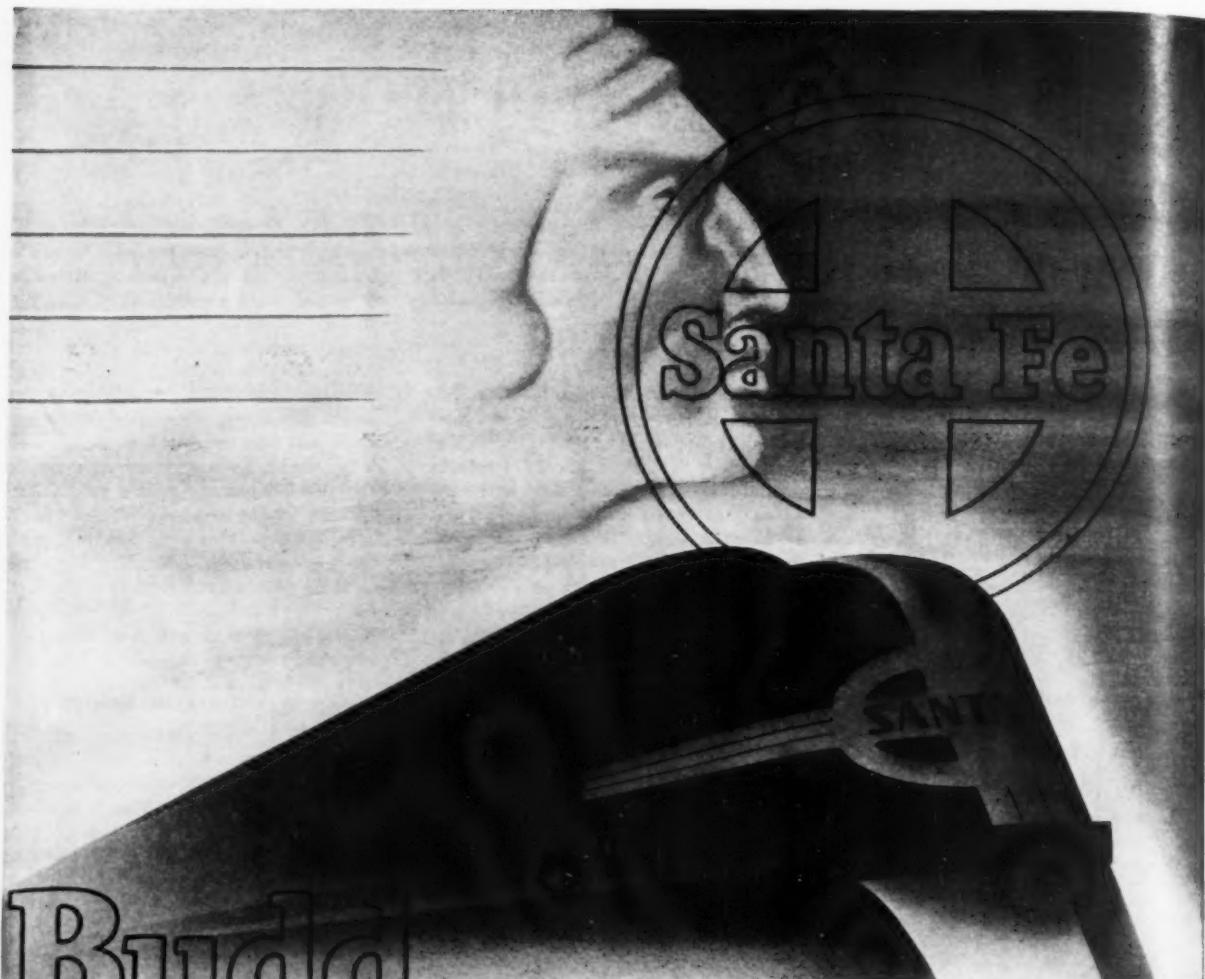
Business developments are offering little encouragement, but the Washington outlook improves. It became apparent during the week that the President's *ex parte* investigation of the Tennessee Valley Authority quarrel would not suffice to head off a Congressional investigation. The weather-vane has clearly shifted from reform to recovery. Election day is approaching fast, and primaries faster, and both Congress and the Administration are well aware of it.

Taxes and Reemployment

The change in the political winds was most clearly evident in the tax bill, passed by the House without its "third basket" levy on closely-held corporations and with drastic modification of the undistributed profits tax. Sen. Harrison's statement in opposition to the whole principle of this tax should not be taken as pointing to its actual elimination, for the danger of a veto may serve to forestall such action. But it was notable in its expression of the sentiment that the most important thing about taxes today is not their equity or their yield, but their effect on reemployment.

For Healthy Pump-Priming

If the Administration is going to "prime the pump"—and this is still the prospect regardless of pledges of economy and a balanced budget—without doubt the healthiest way to do so is through reduced taxes. And if the railroad and utility problems could receive the same sensible treatment, the business outlook would be much brighter.



Budd

SALUTES SANTA FE'S 13 NEW TRAINS

A splendid new fleet of modern streamliners, flashing today over the rails of the Santa Fe System, writes a brilliant chapter in the history of American railroading.

The Edw. G. Budd Manufacturing Company joins the Nation in congratulating the Santa Fe. And we are proud of sharing in this great achievement.

Two years ago the Santa Fe took delivery of its first Budd-built car. It weighed far less than conventional equipment, but it was made of stainless steel with four times the elastic strength of ordinary steel... and was fabricated by Budd's exclusive SHOTWELD* process. Its strength was tested in long trains,

with heavy equipment. It was tested for riding comfort... tested for passenger reaction.

This car passed every test with flying colors. Because it was approved by the engineers as well as the traveling public, the Santa Fe chose the same construction for its famous *Super Chief*, which went into service in May, 1937. Other orders followed. Now five more exclusively Budd-built trains have been placed in service.

In addition, the Santa Fe is using many individual Budd-built cars in the rest of its new trains. This is significant. It is a practical demonstration of the adaptability of Budd cars. They are interchangeable with

other equipment. In all, 105 Budd-built cars are now in Santa Fe service.

Thus, one car has multiplied a hundred-fold!

Passenger travel has increased on every railroad where Budd trains are in service. For thousands of people... having once experienced the unrivaled comfort built into every Budd car... are choosing this new kind of ride in preference to any other type of transportation.

Originator of ALL STEEL bodies for automobiles, now used almost universally, the Edw. G. Budd Manufacturing Company has pioneered modern methods in the design and fabrication of steel products.*

*Reg. U. S. Pat. Off.

BUDD METHODS SAFELY
ELIMINATE DEAD-WEIGHT

EDW. G. BUDD MANUFACTURING CO.

PHILADELPHIA
AND DETROIT

BUSINESS WEEK

MARCH 19, 1938

How Nazi Coup Affects Business

Capital flees to London and America, but significance of Hitler's Austrian action is more potential than immediate. When will Britain resist?

THE DREAM of a union of all the German peoples was old in 1918. It developed shortly after the Napoleonic wars. It was brought nearer to reality last week when German troops marched into Vienna, and Hitler announced that Austria was merged with the Reich. It will involve important minorities in Denmark, Poland, Lithuania, Czechoslovakia, France, and Italy, before it is settled. As it grows it will worry German-speaking Switzerland, Teutonic Holland, and the Scandinavian countries, and neighbors in the Balkan countries which buy an important share of their imports from Germany, and depend on the hungry population in the Reich for the sale of their grain, meat, and dairy products. The economic pressure that a dynamic nation of 73,000,000 in the heart of Europe exerts on the smaller neighbors around it is bound to be an increasing influence in the future.

Americans started curtailing shipments to Austria a month ago. Business came to a complete standstill this

week. A year ago we shipped more than \$5,500,000 worth of goods to Austria, more than one-half of it cotton. Lard, fruit, and oil were other important items. Imports from Austria amounted to only a little more than \$3,000,000, included mainly glassware, fine textiles, and novelties. Much of the trade has been indirect, through German free ports. Future orders, though they may still be negotiated in Austria (after an unsettled adjustment period, probably not more than six weeks), will be subject to all the restrictions of German foreign trade. Imports into this country from Austria, according to word from Washington, will temporarily be admitted at the recent favorable tariff rates applicable to Austria if they can be proved of Austrian origin.

Markets throughout the world reacted to the crisis, though they were undoubtedly influenced also by the recent developments in both Spain and France and the fear of bigger defense expenditures—and taxes—in Britain.



BRENNER GATE—The pass that cuts the Austrian Tyrol and opens a way from Germany to Italy thunders through history. Roman legions took this road against the barbarians; the barbarians swarmed down it when Rome grew old. In the first world war, the Brenner saw Austrian and German battalions marching south to the rout of Italy, Italian detachments flocking north after the tables were turned. Versailles brought Italy across Austria's lost South Tyrol (see maps on

next page) to the point pictured here, where the Italian guardhouse crowds the new boundary-marker in the old road. Last week, Italy's sentinels looked up to see a *feld-grau* line of German soldiers drawn across the highway beyond the marker. A suave Nazi commander parroted formal assurances of friendship. But the name of Brenner again thundered ominously over the Rome-Berlin axis, despite the rumor that Hitler and Mussolini have arranged a trade—the South Tyrol for Spain.

My Battle

BY ADOLF HITLER

Abridged and Translated by K. E.

I

MY HOME

IT STANDS me in good stead today that Fate decided that Brauns on the Inn should be my birthplace. That little town lies on the frontier between the two German States, the reunion of which we younger ones regard as a work worthy of accomplishment by all the means in our power.

German Austria will have to return to the great German Motherland, but not for economic reasons. No, not! Even if reason, looked at from that point of view, were a matter of indifference, nay, even if it were actually injurious, it would still have to come. German blood should belong to a common Reich. The German people have no right to dabble in a colonial policy as long as they are unable to gather their own sons into a common State. Not till the confines of the Reich include every single German and are not certain of being many to acquire territory abroad whilst her people are in need. The plough will then be the sword, and the

HITLER CAN CHECK OFF PAGE 1 of "Mein Kampf" (American version, "My Battle," published by Houghton Mifflin) in which he sets forth the first big job of Nazi Germany as reunion with Austria.

There was a rush of frightened capital to London, where much of it was converted into dollars, pushing down the value of all European currencies, including the British pound, but particularly the French franc. Some capital was converted into gold. (Hoarding on a large scale was resumed in Europe this week, and the first gold shipments to the United States for some time were arranged.) Capital was also converted into commodities, and—on a small scale—into American stocks.

Interpreting Hitler's Move

Politically, there is this significance in last week's bloodless coup: (1) There will probably be no war growing directly out of it; (2) Britain has obviously decided on a program of concessions to the Reich, and a speeding up of the domestic arms program for the almost inevitable conflict when Germany's interests clash directly with Britain's; (3) Mussolini knew in advance that Berlin would sooner or later take over Austria and that in return he was to receive fresh German aid to wind up the affair in Spain with a Franco victory, so that he could exercise more pressure on London when negotiating an Anglo-Italian settlement over the Mediterranean; (4) Blum's promise of French support in case of a German attack on Czechoslovakia means less, in the present chaotic state of French

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MARCHING TROOPS again remake the map of Europe, and Vienna becomes the center of the Reich's Eastward trade expansion.

politics, than the near certainty that Czechoslovakia will fight rather than yield more than virtual autonomous governing authority to the German minority in Czechoslovakia; and (5) whatever the immediate reluctance of the powers (including the United States), it will be necessary shortly to acknowledge in roundabout ways—both in trade and diplomacy—that Austria is no longer an independent state.

Germany has much to gain in Austria. Though slightly smaller than Maine, it possesses large iron mines producing ores of the same high quality as the Swedish mines from which Germany has long bought most of its special ores. It has large forests which will give Germany material for many synthetic industries. And it has large herds which can provide Germany with butter, though Austria is even less self-sufficient in feeding itself than Germany. Finally, Austria has Vienna, the financial nerve-center of the old Austro-Hungarian empire. Though the old capital has lost much of its former

grandeur and most of its economic power, it still has important international connections and is the ideal center for trade penetration of the whole Balkan region.

Precedents in the Saar

Austrian economy will undergo the same transfusion with German as was the case in the Saar following the plebiscite. Over a period of several months, the Saar's customs barriers were removed; German marks were gradually introduced by the German-controlled banks at a fixed ratio to the franc; the financial obligations of the region were taken over by the German government; and the mails, telegraphs, roads, and railroads were united.

The Austrian schilling has not been quoted on world exchange markets since the occupation of Vienna, but Austrian government bonds collapsed from near par at the beginning of the year, to around 74 just before the German push into Austria, and to around 30 after Hitler's announcement of the

annexation. Austrian economy will be hooked up with the German, and this is a regulated economy, with foreign funds blocked within the country except as special provision may be made for partial payment on old obligations or barter deals on current transactions.

The significance to American business of the Austrian affair is much more potential than immediate. With only a few millions of dollars a year in direct trade, and a comparatively small number of Austrian bonds held in this market, the primary importance is world reaction. Will Germany be tempted by the easy success in Austria, by the obvious weakness in France, and by the reluctance of Britain to back her protests with force, into further immediate moves to carry out the Nazis' bold dream of a Mittel Europa, all controlled from Berlin? The guess of most authorities is: "not at once", but each move by the dictators comes daringly nearer the "preserves" of the powers. Americans will watch London, not Paris, for the first sign of resistance.

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Thousands of Short Tons

Stumped by Railroad Problem

Every solution suggested in President's conferences is balked—for the time being, anyway. Labor, shippers, and communities raise objections.

FUNDAMENTALLY, the railroad problem this week was unchanged from last week and the week before that and the week before that. True, the President held his conferences; true also, the railroads were getting ready to install higher freight rates granted by the Interstate Commerce Commission (*BW*—Mar 12 '38, p 13). But a basic solution—to keep the railroads out of receivership—is still to be found.

Every way the railroads and their potential saviors turn they run up against social and economic and political dilemmas. Foremost proposal, right now, is to consolidate and coordinate the carriers. But that is easier said than done. First, because the elimination of duplications means the elimination of labor. And the labor unions won't stand for that. The Administration, moreover, is acutely conscious of the political expediency of placating labor.

Rail Labor Poses Problem

So, Government officials are considering how to pension retired workers, or pay them a leave bounty—anything to keep them off relief. How the funds will be raised is still to be determined. If the railroads are to pay part of the burden, they will gain only a fraction of the benefit of the economies resulting from coordination.

But labor will not be the lone protestant. When it comes down to actually abandoning lines, counties and cities will be heard from. Many a settlement, along a main line or spur that is to do a fadeout, will raise the cry that it will die of dry rot if the railroad that has served it for generations quits.

This business of coordinating rail facilities has been going on ever since 1920. Unquestionably with long study—giving consideration to traffic density, directness of route, percentage of grades—an ideally economical basis for consolidation could be worked out. Indeed, many such studies have already been made.

But aside from social and political difficulties, there are also legal difficulties. Bondholders would have to agree to the abandonment of trackage on which they hold a mortgage; stockholders would have to be protected. And above all, shippers would demand the maintenance of effective competition.

Thus, consolidation and coordination are distinctly not a today or tomorrow proposition. And, in the meantime, the railroads face a loss of between \$100,000,000 and \$150,000,000 this year. They hope to get the rail unions to accept a pay cut, but at the President's first conference George M. Harrison,

president of the Railway Labor Executives Association, said he would see the roads through the wringer first. Which meant that the railroads should reorganize, recapitalize, and scale down their fixed charges before thinking of cutting wages. However, this was only Mr. Harrison's asking price. It is strongly felt that if present conditions continue, rail labor will be forced to take some reduction in wages, and the American Association of Railroads, which met Friday in Chicago, has made that emphatically clear.

Investors Aware of Difficulty

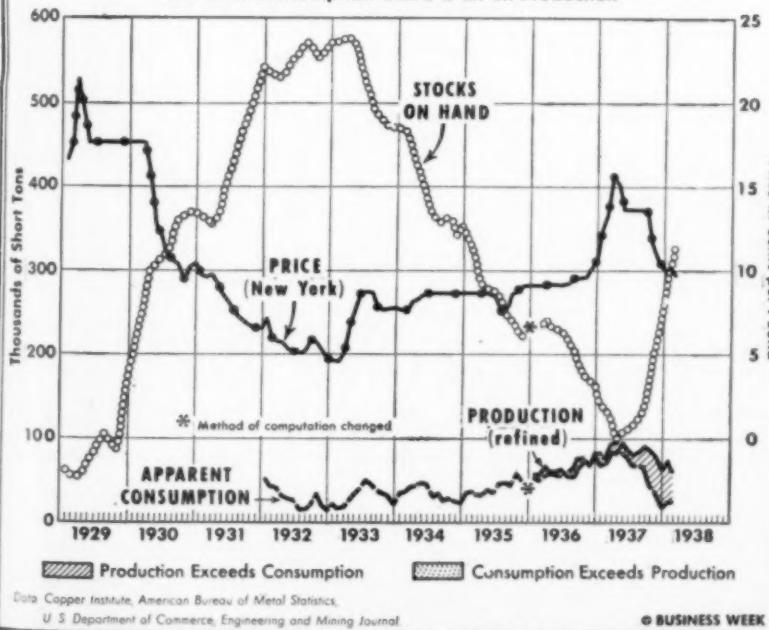
Another possibility is further adjustment upward in freight rates. Some leeway is still available under the ICC rate decision, but because of competitive conditions, any yield from this recourse will be slight. Nor would a rise in passenger fares help much. And investors are fully cognizant of the entire problem. Henry Bruere, president of New York's Bowery Savings Bank, informed President Roosevelt that institutional investors are not collecting railroad securities. In fact, he said, they are liquidating.

The bond market emphatically reflects this. Only a few, gilt-edged underlying liens—of such powerful roads as Union Pacific; Norfolk & Western; Atchison, Topeka, & Santa Fe; and Chesapeake & Ohio—are selling at top-notch investment levels.

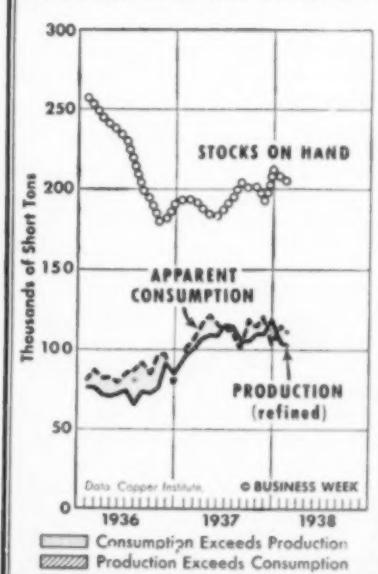
For the present, the best and probably the only solution is a smart upturn in traffic. If that takes place this fall, the border line roads will be saved from the wringer.

COPPER STOCKS RISE FURTHER

But U. S. Consumption Gains a Bit on Production



COPPER PICTURE ABROAD



February copper statistics showed scant improvement; the metal trade is studying prices, prospects carefully (see page 51).

Rallying from the Whitney Blow

Wall Street tries to repair damage to investors' confidence. Stock exchange orders reports to customers. SEC praised for its attitude.

WALL STREET this week pulled itself together and methodically went about repairing the damage done to investors' confidence by the Richard Whitney & Co. insolvency.

First problem was to check the flight of customers from New York Stock Exchange firms. Immediately after the announcement of the Whitney failure—and before it became generally known that the collapse resulted from dishonesty—nervous customers called on their brokers to surrender cash and securities held outright and on margin.

Though this movement was by no means widespread, it was sufficiently large to cause concern. The exchange ordered all members to make reports of their financial condition to customers who requested such information. That was the first time that the exchange officially espoused public statements by brokers.

Heretofore, exchange firms have kept their affairs to themselves. Some 10 years ago, Fenner & Beane submitted financial reports to its customers, and one such report accidentally got into public print. Thereupon the exchange suggested that such publication might establish an unwise precedent. The firm discontinued the practice. At the time this occurred, Richard Whitney was president of the exchange.

Banks, to some extent, benefited from the uncertainty produced by the Whitney affair. Clients of brokerage firms, after they withdrew cash and securities, had to find some form of safekeeping. Either they rented safe deposit boxes or they opened custody accounts with financial institutions.

Expect Customers to Return

Some brokerage firms sent out letters reassuring their customers. They pointed out that the Whitney insolvency was not the fault of financial instability in Wall Street, but resulted from the actions of one man. Most houses believe that deserting customers will come back after a few months—that they will be embarrassed by the actual possession of their securities.

Although the exchange has instructed brokers to make available their semi-annual reports of condition, these reports alone are not likely to counteract the ill-effects of the Whitney case. For this reason: the reports are extremely technical; they have been devised for understanding by certified public accountants, rather than for the consumption of laymen.

The Stock Exchange has requested the

cooperation of the Securities and Exchange Commission in the development of a form of statement which will enable the general public to grasp at a glance a brokerage firm's condition. Something on the order of a bank statement is desired. One difficulty that constantly hobbles simplicity is to account for customers' securities owned outright and for customers' securities held on margin. In the end, though, some way will be found for stating simply and specifically the amount of free and unencumbered capital of each brokerage firm.

One unexpected aftermath of the failure was a sharp rally in Wall Street's respect for the Securities and Exchange Commission. While the New York County district attorney and the state attorney-general rushed in to prosecute Whitney—gaining indictments and a plea of guilty to grand larceny—the SEC kept quiet. It made no effort to make political capital out of Wall Street's discomfiture.

Defalcation Problem Studied

Brokers are looking about for ways and means to end the problem of defalcation once and for all. They now carry insurance to cover themselves against

misuse of funds and securities by clerks, but they do not have coverage for the partners. Insurance companies have hesitated to extend this type of protection. If a partnership takes out insurance for the partners, a strange thing happens: the firm insures the firm.

To overcome this objection, some brokers have suggested that they be permitted to incorporate. Then the corporation would be able to insure the officers (now partners) as well as the employees. Another argument adduced in favor of incorporation is that it would fix the capital of a brokerage house. Now, partners can withdraw capital from time to time by going through the legal formality of closing out the old partnership and forming a new one.

Argument for Partnership

Some houses, however, hope to be able to get insurance and still retain the partnership form. Here, the principal argument is that partners, because they are liable to the full extent of their personal fortunes, will not take undue risks and will take a keener interest in the operations of the firm. (In this connection the point is made that neither the corporate nor the partnership form will prevent personal dishonesty.)

It is probable that the SEC will be consulted before the Stock Exchange takes any affirmative action on permitting members to incorporate.

Immediately ahead of the brokers are important decisions regarding reorganization of the exchange. Members

A Broker's Statement "That Any Man or Woman Can Understand"

Some ten years ago, the New York Stock Exchange firm of Fenner & Beane broke a precedent by sending its customers a statement of its financial condition for "confidential information." When the report appeared, by chance, in print, the exchange intimated that the practice was undesirable. But today, following the Richard Whitney affair, a new spirit of "letting the public know" is pervading Wall Street. And the Fenner & Beane statement of May 31, 1930 (the last one that appeared) may serve as a working model for brokers generally. It, by the way, is an adaptation of the form used by New York's Corn Exchange Bank Trust Co., of which Mr. Whitney had been a director.

Report of Condition

At the Close of Business
May 31, 1930

They Owe a Total of	\$36,470,385.60
This is the firm's total indebtedness after reducing the equity of each creditor's position to the net.	
To Pay Its Indebtedness The Firm Has	
Readily Realizable Assets of	39,552,900.71
By Readily Realizable Assets is meant cash in bank, cash in clearing houses, equity in bank loans, fully secured accounts, all of which can be readily converted into cash.	
Leaving To The Firm An Amount Readily Available Over All Indebtedness of	3,082,515.11
In Addition The Firm Has:	
Assets Easily Realizable	106,626.04
By Easily Realizable Assets is meant open accounts guaranteed by Exchange Members, etc.	
Assets Considered Entirely Good	77,000.93
These include principally accounts with open market commitments which obviously would not be permitted to remain in the markets if there were any doubt as to their worth.	
Assets Fixed in Character	757,740.95
These include New York Stock Exchange and All Other Memberships.	
Assets of Deferred Character	130,603.77
These are almost entirely composed of prepaid expenses.	
Assets Not Readily Realizable	8,611.08
Such as advances to employees, etc.	
Assets of Doubtful Character Therefore Not Considered	0.00
These assets are fully reserved and include every closed customer's debit account appearing on their books. While these items are collectible on a very sizeable sum, it is the firm's policy not to take them into consideration in building their capital structure until collection has been made.	
The Firm's Net Worth Therefore Is	\$4,163,177.88



MR. WHITNEY GOES TO A PARTY—At the left, in happier days, with Mrs. Whitney on the way to a Gay '90s party; at the right, today, on the way to the Attorney-General's office.



International

are to select representatives to vote on a paid president—recommended by the so-called Conway Committee which proposed a thorough reorganization of the exchange. Because of the Whitney scandal, the old guard—generally referred to as the Whitney crowd—will not have much to say in the election. Its influence is definitely on the wane, if not dead altogether.

And, as indicated last week in *Business Week*, the passing of the Whitney influence is likely to result in marked changes in bond dealings. As conditions are today, trading in bonds on the floor of the Stock Exchange is restricted. For

every bond sold on the exchange, at least 10 bonds are traded over-the-counter.

The recommendation to grant associate memberships on the exchange to large investment banking firms, such as First Boston Corp.; Morgan Stanley; Brown, Harriman, Inc., might stimulate activity in bonds on the exchange, as many investment banking firms carry on extensive over-the-counter trading. But incorporation of exchange members would also meet this problem. If member firms are permitted to be corporations, then the investment banking firms, which are now incorporated, will be able to buy seats.

overly diplomatic agents failed. The former Department of Labor trouble-shooter has Owen D. Young, John D. Rockefeller, Jr., Walter C. Teagle, Bernard M. Baruch, David Sarnoff, and others of like stature in his corner; he is well known and well liked by the big labor leaders of both C.I.O. and A.F.L.; and in digging below petty disagreements and down to fundamentals in business-labor matters, he has a glittering record of accomplishment.

Since the time two months ago when Lewis, Young, Thomas W. Lamont, and Philip Murray of the steel workers union went to the White House, closely following a group which included Lewis H. Brown, Colby Chester, Ernest T. Weir, Alfred P. Sloan, and M. W. Clement, the general consensus in Washington grew that there was "nothing stirring" in the cooperation drive. Observers were hopeful, but after Sec. Roper's business-man council took the stage for a day, and the "little business men" had their say, and Sen. Bulkley's plan for a comprehensive all-factions round table got a brief play, the fire almost went out.

Contact Work Helpful

That it did not expire completely was due to the continued business slump, which has worried business leaders and labor spokesmen alike, and to the work of Harrison and McGrady, who have been assiduously doing the leg work necessary in making contacts with the persons who have to be consulted time and again if a workable round-table is built.

Harrison has talked with the group of business men who drew him into early conferences for advice, and then has ranged afield to consult potent A.F.L. executive councilmen and such top C.I.O. policy-makers as Sidney Hillman and Philip Murray.

While negotiations have been going

Push Government Out of Labor

In quiet peace conferences between business executives and union leaders, both sides are turning sharply away from government participation in labor relations.

JOINT planning by industry and labor, on a realistic bipartite basis, was much closer to accomplishment this week. Without urging from Washington—in fact, with no discernible Administration angle at all—these activities are now under way:

1. A group of business leaders, with Edward F. McGrady of the Radio Corp. of America acting as chief contact man, had initiated conferences with John L. Lewis, and is seeking to get William Green or George M. Harrison of the American Federation of Labor into the round-table meetings.

2. A second group of business leaders, in touch with Harrison is continuing off-record conferences which began two months ago (*BW*—Jan 22 '38, p13) and which have proceeded evenly with growing hopefulness all around.

3. Resumption of peace parleys between the Committee for Industrial Or-

ganization and A.F.L., demanded by Homer Martin of the C.I.O. in a national radio broadcast last week, is being discussed by the rank and file of both organizations, with more brass-tacks talk evident and less of the stand-pat attitude which broke up earlier negotiations.

A significant angle of the undercurrent story is the turn from an uneasy co-operation-under-government-aegis philosophy, which occupied the minds of the big men in labor and business management at the turn of the year, to a self-help and self-control proposition. This shift in sentiment has been growing rapidly during the past two weeks, despite the fact that White House parleys in January were at that time expected to produce action.

Similarly significant is the activity of McGrady, who seems to be getting action where other more timorous or

on in preliminary form, the question of unity between the two warring labor federations has been in the minds of the seekers after cooperation. That C.I.O. and A.F.L. are closer together, as far as the rank and file is concerned, than ever is undeniable, but the formula for peace still eludes the planners. Reaction to the suggestion made by Martin, head of the United Automobile Workers, has been favorable; he proposed an over-all truce and impartial mediation for jurisdictional disputes which could not be settled by opposing unions in the same fields.

Pushed As Labor Chief

Meanwhile, Harrison has been suggested in some quarters as a compromise candidate for president of an amalgamated labor movement. As head of the Railway Clerks (A.F.L.), chairman of the Railway Labor Executives Committee, and chairman of the A.F.L. peace committee which met with C.I.O. negotiators prior to Christmas, he ranks high

on all sides. He also is well known at the White House, and has been for years.

What will come of the present conferences, and when it will come, is doubtful. Some observers feel that General Electric's labor contract announced two weeks ago can be traced directly to talks between John Lewis and Owen Young, while others note a more

friendly attitude on the part of some non-union manufacturers in heavy industry for which Harrison is credited. If individual agreements are thus made easier, the business-labor conferences will pay even though they do not bring out any startling headlines. And there is always the chance that a notable revival in "taking hold" of things may stem from the effort being expended.

Cleveland Labor Skates Guilty

Two sent to prison after trial that exposes how industries were shaken down and members of some building trades unions were sold out.

DETAILS of a complete system by which labor skates controlled one segment of Cleveland's building industry were exposed in the bristling trial which ended there last week in the conviction of two racketeers. More trials are scheduled.

The methods by which chain stores, building supply manufacturers, and contractors could be forced to pay black mail at every turn in the window and glass businesses were laid bare in the testimony.

Don A. Campbell, business agent of the Glaziers' Union and president of the Painters' District Council, and John E. McGee, president of the Laborers' District Council and manager of the Window Washers' Union, were convicted of extorting \$1,200 from Vernon Stouffer, one of the two brothers who have eleven restaurants in Cleveland, Detroit, Pittsburgh, New York, and other cities. Campbell and McGee were sentenced to the Ohio penitentiary for indeterminate terms of one to five years.

Others To Be Tried

Under indictment and due to be tried in a few days are J. P. McDonnell, assistant business agent of the Glaziers' Union, and Mose Donley, assistant business agent of the Painters' Union.

The exposures in the case seemed fully to explain the unusual energy with

Republic's New Wide-Strip Mill Set for Production



The two sections of the mill are actually nine separate buildings.



Strip steel rolls out of the hot mill at 2100 feet per minute.

This week Republic Steel Corp. formally opened its new 98-in. strip mill at Cleveland. A colossus in an industry where machinery and equipment are commonly gigantic, the new mill embodies the latest technological improvements in the art of processing steel. The formal opening follows months of meticulous adjustment and test operation.

The mill is located on a 182-acre site six miles from the mouth of the Cuyahoga River. For a distance of almost half a mile, the river itself was moved to make way for the mill. More than 1,000,000 cubic yards of dirt were excavated for the new river channel.

The plant has a nominal rated capacity of 70,000 gross tons per month. It can roll all finished widths from 30 to 94 inches, and all finished thicknesses from 18 gauge strip to half inch plate.

"Shame of the Cities"

"It happens every day in the week"—and every day legitimate business pays a toll to the racketeers who muscle into the labor unions, terrorize employees and employers alike, and commandeer the whole flow of contracts in some particular business.

Not every day in the week, however, are the details of precisely how these racketeers exact their tribute brought to light as they were in Cleveland last week, where the large glass companies, the big retail chains, the independent merchants, and the building trade unions have at last freed themselves from the domination of a half-dozen dictators. That's why the story of Cleveland is important—as a case study in business self-assertion.

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32 Years... or an AFTERNOON

A CARGO of cookies on a highway in the palms of Florida—another load for another International Truck. A setting out of the ordinary and a product that is "different"—but behind the scenes is the same search, the same happy solution for the *problem of hauling*. In every community in the land, men with ambition and resourcefulness—and a need for partnership with trucks—are pinning their faith to International. How do they go about deciding on this make of truck?

Human nature being what it is, most Internationals are bought either on Harvester reputation or on a careful study of the truck.

We asked the master minds of Jack's

Cookie Co. how they came to choose Internationals. It seems they used a little of both, mixing quality ingredients as they do in making a batch of cookies. Starting with the 32-year International Truck reputation they added an afternoon of close investigation, and the outcome is a fine job of economy hauling and satisfaction.

Varying body and load weights call for a range of chassis capacities. INTERNATIONAL provides a full line of trucks from Half-Ton up to powerful Six-Wheelers.

INTERNATIONAL HARVESTER COMPANY
(INCORPORATED)

180 North Michigan Avenue Chicago, Illinois

PHOTO BY AL BURGERT, TAMPA



INTERNATIONAL TRUCKS

which the building trades unions (American Federation of Labor) unsuccessfully fought the reelection of Mayor Harold Burton, Republican, last autumn. Burton's Safety Director, Eliot Ness, the mild-mannered former member of the Federal Alcohol Tax Unit and leader of Chicago raids on Capone breweries, has pursued the investigation for months, along with the prosecution of several grafting policemen.

Soon after the municipal election the indictments were brought against McGee and Campbell. The A.F.L. end of the labor movement twice passed resolutions of complete confidence in the indicted leaders.

How the "System" Operated

The McGee-Campbell "system," as developed in the testimony, consisted of arrangements whereby they received salaries from unions in the glass and window washing trades; had understandings by which companies would not install glass unless the men gave the word to go ahead; one got fees from managers of window-washing companies

for obtaining washing contracts, some of which were in hand before the glass was installed; and one pocketed gifts from contractors and owners for loosening up work which got into jurisdictional and other troubles. Concerns which did not fall in with the program could not get their windows washed or could not get new glass after they were smashed, or both.

Campbell's salary income was shown to be \$150 a week. McGee admitted receiving \$3,400 in gifts or commissions for obtaining window or wall-washing contracts, including contracts with the Civil Works Administration for washing the walls of 88 school buildings. In carrying out these contracts only union men were employed, but the union saw to getting them on the relief rolls. Campbell even looked after the collection of the money in Washington, he testified. The money, he said, went to the union, but it did not appear on the books. One company paid him \$900, or the first month's receipts from a washing contract with the Great Atlantic & Pacific Tea Co., after the chain

store promised to stop having its own employees wash its windows.

Campbell has an interest (the state alleged he had control) in the Glaze-Rite Co., to which all Cleveland planing mills send their wood sash for glazing. As for steel sash, McDonnell, his associate at the union headquarters, has been getting \$6,000 a year as secretary of a clearing house consisting of two member concerns. Companies which attempted to compete with Glaze-Rite found labor troubles made it unprofitable.

Union Membership Held at 92

The Toledo Plate Glass and Pittsburgh Plate Glass companies got into the practice of waiting for his authorization of the jobs before they took the glass around, Campbell said, because they found the glass too often had to be brought back to the warehouse. Membership in the Glaziers' Union has been held at 92 for a number of years.

Troubles in remodeling the room for a new Stouffer store on Euclid Avenue started about six weeks before the scheduled date for opening two years ago. The work was 100% union, employing members of 25 unions. Difficulties arose over new materials, and over the glass in the restaurant equipment. This glass had to be taken out and reinstalled on the job.

The kitchen unions were organizing at this time, and they obtained from Campbell the promise that Stouffer would sign an agreement with them before the work was finished. At this point Stouffer paid \$1,200 to Campbell on an original demand of \$2,000 and Campbell notified the kitchen unions that he could not stop the work from being completed on account of legal action threatened by Pittsburgh Plate Glass. (One window was smashed during the discussions.)

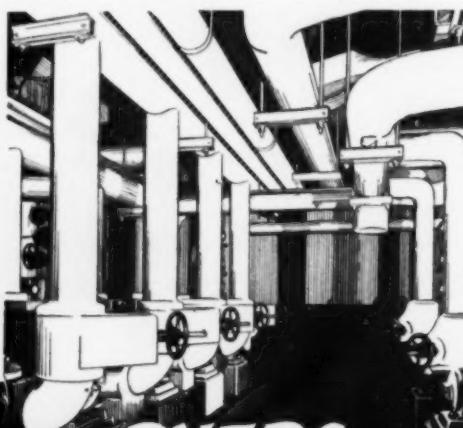
The Cleveland manager of Pittsburgh Plate Glass testified he had sent to Campbell a letter threatening legal action, at Campbell's request.

The "sell-out" of the culinary trades was effectively used by the prosecution to show that the case was not an anti-union action as the defendants sought to make it out.

Work Is Resumed After Trial

On the day the case ended the work was resumed on a Thom McAn front which had been stopped because the men worked overtime without a permit. The statement was made in the trial that the chain had paid \$400 to Campbell a year ago.

Testimony brought out the information that labor men never approached Maj. John M. Sneed, construction and building superintendent of the Van Sweringen group, for donations of this type because he declared that he would put the payment on the company's books.



BYERS
WROUGHT IRON
resists air conditioning
corrosion

• Air conditioning is new—but one thing about it is an old story—CORROSION—the same as in refrigeration systems. When it comes to handling brines, moist air, and quantities of water, the records show that wrought iron is dependable, long-lasting, economical. That's why leading architects and engineers are using Byers Wrought Iron. Valuable experience data

is contained in illustrated technical bulletin—"Wrought Iron in Refrigeration and Air Conditioning Systems." Tell your engineers to write for a copy—also for assistance in analyzing corrosion in your plant. A.M. Byers Company. Established 1864. Pittsburgh, Boston, New York, Philadelphia, Washington, Chicago, St. Louis, Houston, Seattle, San Francisco.

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Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements

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Sales of Used Cars

Industry's "Week" produces spurt, but net result is still uncertain.

DETROIT (Business Week Bureau)—Dressed up as "National Used Car Exchange Week," the automotive industry's \$1,250,000 used car sales contest has passed into history and left most of the industry guessing as to what had been accomplished.

Used car sales spurted, of course. How much was due to the campaign it is difficult to tell, since figures would have to be weighed on the basis of a normal seasonal upturn in sales at this time, which factory news releases do not attempt to do. In addition, whether an appreciable percentage of deals were sales which would have been made anyway—except a little later in the spring, perhaps—only the next month or two can tell.

Whether the campaign resulted in any really sizable and important reduction in total used car stocks by number or by dollar volume also still remains to be determined.

Junking Idea Favored

If, simultaneously with the announcement of Used Car Week, there could have been announced by the industry a comprehensive junking plan, there is no question but that dealer enthusiasm for the campaign would have been much more marked. Irrespective of the economic merits of junking plans, a good many dealers failed either entirely or in part to enter into the spirit of the campaign largely due to the absence of junking. Estimates of 1929 and older cars in dealers' hands before the contest started range from around 150,000 to 300,000. "Why," these dealers said, "should we load ourselves with even more junkers?"

Next, many a smart dealer figured he was better off to keep up his inventory until the spring selling season enabled him to unload at better prices than are available today.

Further, dealers in larger communities were apparently much less enthusiastic about the plan than those in smaller towns—where a more intimate relation exists between dealer and car population.

Retail Activity Stimulated

That the plan nevertheless was a help—that it provided a badly needed impetus to dealer retail activity—cannot be doubted from the figures being released by motor car companies. It remains to be seen whether the campaign was a real sales pump-primer or just a temporary shot in the arm.

Around Detroit the remark meanwhile is: "If it accomplished nothing else, it was still worth a million and a



We're not in any conspiracy to discredit this or any administration. But we are "conspiring" with a good many companies (and we'd like to do the same with you) to help them get more business and make more profit. Here's how it's done—



1—New Warner & Swasey Turret Lathes reduce costs (on whatever business you now have)—often as much as 50%, by reducing scrap loss, saving material, cutting waste effort.

2—New Warner & Swasey increase accuracy. 1 plus 2 = new markets opened to you, a better competitive position for you, new stimulus to your sales force, new profits.

Proof that these are the results of new Warner & Swasey today—and proof of what these modern machines could do in your own plant—will be supplied by your nearby W & S field engineer. Write Warner & Swasey, Cleveland.

You can turn it better, faster, for less... with a Warner & Swasey.

TRANSPORTATION



THE PROTECTED PAY ENVELOPE



TRANSPORTATION depends upon MEN . . . a vast and smoothly functioning human organization pledged to high traditions of service . . . MEN whose skill and constant loyalty are vital to the daily welfare of millions. Hence, it is significant that transportation companies, thus closely concerned with human relations, have led in initiating group insurance plans as an important aid to efficient management.

Your own personnel problems may not be as complex as those of a far-flung transportation system but they are no less important to the welfare of your business. How you can find a solution to many of these problems, through a co-ordination of group insurance benefits providing CONTINUITY of INCOME for employees, is explained in Connecticut General's new booklet, "The Protected Pay Envelope." We shall be glad to send you a copy upon request.

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"We have had group life insurance in our companies practically since inception, and it is our very definite opinion that the set-up is working very satisfactorily from the standpoint of employees as well as from the standpoint of the Company."

UNITED AIRCRAFT CORPORATION . . . A Connecticut General Group policyholder

Connecticut General
LIFE INSURANCE COMPANY
Hartford, Conn.

Life, accident, sickness insurance, annuities and all group lines.

quarter to have Ford and the Automobile Manufacturers' Association actively cooperating on some sort of program for the first time in history."

New Securities Soon

Several large stock and bond issues will be sprung when market is right.

INDUSTRY is preparing to raise substantial sums of money through the sale of stocks and bonds—and will expand its demands rapidly at the first sign of a real pickup in business. Right now, big corporations are shopping for close to a quarter of a billion dollars to be recruited through the sale of bonds and preferred stocks.

Several sizable issues have been nursed along to the point where investment bankers will spring them as soon as the market is right. These include \$60,000,000 of refunding bonds for Consolidated Edison Co. of New York; \$80,000,000 or more of refunding bonds for Gatineau Power Co. (affiliate of International Paper); about \$45,000,000 of refunding bonds for U. S. Rubber, part of a recapitalization program which stockholders will be asked to approve when they meet the end of this month; \$20,000,000 of preferred stock from a 350,000-share issue which General Foods will ask stockholders to ratify at their meeting Apr. 13; \$10,000,000 of New York & Queens Electric 3 1/4% bonds, part of the proceeds to repay \$7,000,000 advanced by the parent company, Consolidated Edison of New York; \$5,500,000 of debentures and \$781,900 of preferred stock for Champion Paper & Fibre Co.; and \$7,500,000 of convertible preferred for Philip Morris, largely to pay off bank loans incurred to handle larger inventories.

Of all these, however, the Champion Paper issues are about the only ones due to appear in March—and they might be put off to the second quarter.

Figures Presage Improvement

Of corporate issues now in the imminent stage, a total of about \$230,000,000 will be held over for the second quarter. This isn't a large figure (second-quarter corporate financing last year totaled more than \$750,000,000) but it presages moderate improvement by contrast with the recent past.

The final quarter of 1937 produced only \$224,848,695 in new issues, according to the *Commercial and Financing Chronicle*. The first quarter this year probably will fall substantially below \$200,000,000, because the totals of \$49,305,996 for January and \$103,026,500 for February have been augmented but slightly in March.

These figures look pretty skinny against \$971,900,458 of corporate financing for

the first quarter of 1937 and \$1,063,373,439 in the initial three months of 1936. It is possible, though, that the second quarter of 1938 will be the best three-month period since the middle of last year if market conditions improve.

For example, there are many issues that were ready for the market last summer which had to be postponed because of the break in securities prices in the late months of the year. Among them were several blocks of debentures and preferred stocks which were to carry the privilege of conversion into common stock. One such was a \$75,000,000 refunding program for Armour & Co., which probably is off indefinitely; another was a big block of convertible debentures for Commonwealth Edison of Chicago, which is expected to come out just as soon as the market is right.

In other directions, considerable interim financing has been arranged. The steel industry in particular has been going to the banks for money to capitalize plant expenditures. Youngstown Sheet & Tube a few days ago got \$12,500,000 from the banks, and U. S. Steel borrowed \$50,000,000 six weeks ago. Several smaller companies also are looking for money. As bank loans aren't highly regarded for capital purposes, Youngstown and Big Steel probably may be counted on to pay off their borrowings by means of bond or stock issues at the earliest opportunity.

House Building Rises

FHA insured mortgages hit a new high. Main activity on Seaboard and West Coast.

WASHINGTON (Business Week Bureau) —House building is pushing the season. The spurt showed up in reports that ran insured-mortgage financing up to a new high in the week ended Mar. 5. Mortgages selected for appraisal by Federal Housing Administration offices totaled \$17,529,602, as compared with \$13,100,250 in the preceding week. FHA hung up its previous record for one week's business in the week ended Mar. 20, 1937, with a total of \$16,829,710.

The greatest activity is reported in Atlantic and Pacific states, with Kentucky and Texas standing out in other regions. In the Midwest new home financing still is thin. FHA is pushing its program hard in that area in the hope that revival of house construction will spread throughout the country in the next few weeks. From the states that report big business, the early activity is more favorable than expected. The preliminary figures cover chiefly small homes on which the cost of financing was lowered and down payments reduced by amendments to the national housing act, effective Feb. 15.



GIVE ROYAL THE DESK TEST SAID THE VICE-PRESIDENT

...THE RESULTS justified his judgment, and long before the 10 days were up! Letters came through faster, they were better looking, right the first time—in the mails earlier! In that office The DESK TEST proved—just as it will in yours—that Easy-Writing Royals save time, money, turn out finer typing, more of it! Let your secretary try a Royal... See for yourself!

Royal Typewriter Company, Inc., 2 Park Ave., N. Y. Factory: Hartford, Conn.

*GET A 10-DAY DESK TEST FREE! A fact-finding trial... it costs nothing, proves everything. Phone your Royal representative for information.



*GET A 10-DAY DESK TEST FREE!

Royal Typewriter Company, Inc.
Department WBW-3198
2 Park Avenue, New York City

Please deliver an Easy-Writing Royal to my office for a 10-day FREE DESK TEST. I understand that this will be done without obligation to me.

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Firm Name _____

Street _____

City _____ State _____

To the man whose friends have money problems

What to say to people who want
to borrow



When friends or relatives come to you for assistance with their money problems, you doubtless give them all the help you can. A loan when you can afford it. Helpful advice when you're obliged to say "no" to a request for cash.

Perhaps you have often wondered what to say at such moments—have wished that you knew more about public lending agencies and the terms and conditions on which they make cash loans to responsible men and women. To meet requests for this information we have just published a helpful booklet entitled "For the Man Whose Advice is Always Asked."

Loans without collateral

This booklet begins with a short, impartial discussion of whether a family should borrow and what it should do when it does. Then it tells where people without bankable collateral—the people who most need credit accommodation—may obtain cash loans to meet emergencies.

Three kinds of loans are available to these people in most communities. The booklet tells where and how they may be made and the cost. There is a convenient table for quick comparison of their features. The concise explanation of how to compute rates shows the true cost of common types of consumer loans. A final paragraph points out the risks for both borrower and lender of borrowing from friends.

Send for free booklet

Household Finance has published this booklet to increase public knowledge of the sources of cash loans for consumers. You are invited to send for a copy without obligation.

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"Doctor of Family Finances"

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New York Milk Pot Boils Madly

Although earlier audit showed profit of 5.11%, state attorney-general charges distributors make 13 to 27%. Leading companies deny his figures.

THE metropolitan New York milk market is the largest in the United States. And just about the most tumultuous. There, more than anywhere else, the old saw holds true about no one in the milk business being contented but the cow. And this week, with charges and counter-charges of dairy profiteering filling the air there was probably more widespread discontent on the New York milk front than at any time since 1933 when the milk problem first began making regular headlines.

From that date to March of 1937, New York State milk prices were regulated by a Milk Control Board, which set the prices distributors were to pay producers, as well as those they were to charge consumers. Invariably these prices were out of line with other commodity prices. To change them, the board was required to hold such extensive hearings that by the time the new prices were established they were out of line again. Eventually, when the United States Supreme Court ruled that the board could not control interstate milk, its authority broke down completely.

Milk Legislation Enacted

After several months of violent price-cutting, when prices of grade B milk (the basic quality) went down as low as a nickel a quart in retail stores, the state legislature put through the Rogers-Allen Law—aimed to give the producer a voice in the control of prices. The law established a pro-

Bedeviled Dairymen

More than any other industry, milk is confronted with the threat of that kind of government regulation which seeks to turn a private business into a public utility. More than in any other state, the milk distributors of New York know the reality of that threat; its full impact was brought home to them this week by the charges of profiteering which were preferred against the industry by an attorney-general who dairymen say want to be a governor. But the milk problem isn't one which arises simply out of political potboiling in a single state; it is national in its scope, and the extended examination, presented here, of the battle which rages in the Empire State outlines the basic points at issue in the four-cornered fight between producers, distributors, consumers, and politicians that goes on in every milk market in the country.

ducers' bargaining agency, to meet with a distributors' bargaining agency, the two to fix the price to be paid to the producer for his milk. No control was set on consumer prices.

Last July 1, the first price agreed upon between the two groups went into effect. Farmers won a rise of $\frac{1}{4}$ ¢ a quart. Distributors shifted the rise onto the consumer, increasing the Grade B price from 11¢ to 12¢.

Investigation Demanded

Consumers' organizations hollered. They demanded that the state attorney-general put his nose into the workings of the milk distributors and see if there wasn't a monopoly there. The attorney-general began an investigation. And the legislature handed over \$50,000 to the State Department of Agriculture and Markets to conduct an investigation from that end too.

The Department of Agriculture, through Ernst & Ernst, made a hurried audit of 14 milk companies in metropolitan New York, and last month announced that the milk companies had made an average profit on net tangible assets of 11.06% in 1936, and 5.11% in the first nine months of 1937 (which was as far as the audit went). The profit per quart thus amounted to about .464¢ for 1936, and less than .288¢ for the first nine months of 1937.

The big distributors complained mildly about these figures. Borden stated it had managed to eke out a profit of only 1/10¢ a quart in 1937.



ATTORNEY-GENERAL BENNETT

He finds new angles in the milk distributors' accounts.

Wide World

Sheffield Farms said .288¢ was about twice its actual profit for 1937.

Last week John J. Bennett Jr., the attorney-general, handed over the results of his own staff's investigation to Gov. Lehman and the legislature. Its findings made the Ernst & Ernst audit look pale.

The most startling of its many startling conclusions was that the milk distributors had made a profit in recent months of 13% (1.5¢ a qt.) on Grade B milk, with profits ranging up as high as 27% on Grade A Vitamin D milk.

Ads Retort to Findings

Sheffield Farms kept under cover. Borden, backed against the wall, lashed out at the gubernatorial ambitions of the attorney-general. In the same editions of the daily papers which carried the story on the milk investigation, Borden ran two steaming ads in reply to the charges against them. One of the ads, incidentally, had been waiting for this occasion. The other, however, was brewed up on the spur of the moment.

"I see by the papers that you fellows in the milk business made a whale of a lot of profit last year," said a man in the ad.

"Only a tenth of a cent a quart," replied his companion.

"They're saying up in Albany that you made a cent and a half to nearly four cents a quart . . . Didn't they get their figures from you?"

"The people who put out those statements never got those profit figures from us . . . You know how it is. Milk profits and milk monopoly are always surefire campaign material . . . And don't forget it won't be long now until the fall campaign gets under way."

How the Figures Differ

The main point of difference in the Bennett and the distributors' own figures is that Bennett is reporting only on fluid milk. The distributors do not separate fluid milk from their manufactured milk products—butter, cheese, evaporated, condensed, malted milk, ice cream, etc. By buying and selling among their affiliates, according to Bennett, distributors can claim any figure they chose for their fluid milk profits and losses. Sheffield Condensed Milk Co., for example, bought 61,000,000 qt. of milk from Sheffield Farm Products Co. for $\frac{1}{2}$ ¢ less than it had to pay other sources. Sheffield Farms complains of low profits on fluid milk. Sheffield Condensed Milk Co., according to Bennett, makes profits as high as 68%.

Again, Sheffield Farms' statement for 1936 showed a net income of \$1,181,878. Bennett says he uncovered \$1,556,525 in that statement which

A big break

for any little letter—because the letter that is Postage Metered looks better, gets through the postoffice quicker, makes earlier trains!

for the mail clerk—saving work and time. No stamps to count, safeguard or stick, no envelope flaps to moisten and seal!

for the postoffice—because Metered Mail doesn't have to be faced, cancelled or postmarked, gets into the pouches sooner!

for the firm—because the money that should be spent for postage is spent for postage. Does away with old-fashioned stamps that stick, spoil, get lost. The postage is locked in the Postage Meter—by the post-office! Nobody can steal or sell your postage. Postage control is absolute and accounting is easy. Saves mailing time and costs, as well as postage costs. And the imprinted slogan on every envelope is free advertising! There is a Postage Meter model for every size office, every mailing requirement.

THE POSTAGE METER CO.
795 Pacific St., Stamford, Conn.
Branches in principal cities
Consult your telephone directory

PITNEY BOWES

No Stone Unturned



We leave no stone unturned in our effort to supply the manufacturer such complete and reliable information as will enable him to accurately appraise Louisville's advantages as applied to his own industrial operation. Each industrial analysis is prepared especially for the individual manufacturer requesting it. The facts and *all* the facts—favorable and otherwise—are submitted without bias or reservation. . . . If you are interested in determining whether you can benefit by Louisville's unusual economies in production and distribution, such a special analysis will be prepared for you, on request, without cost or obligation. . . . The Louisville Industrial Foundation is a non-profit, self-sustaining organization and has been rendering manufacturers this unique service for over 21 years. . . . Your inquiry is invited. . . . Louisville Industrial Foundation, 4060 Columbia Building, Louisville, Kentucky.

LOUISVILLE

KENTUCKY



was not, as it appeared, expense, but earnings. So the Sheffield report for 1936 which showed 1¢ profit on each quart of milk actually should have been increased by another 1¢ a qt., Bennett asserts.

The Bennett recommendations were three—that fluid and manufactured milk divisions should be separated by distributors; that the state Department of Agriculture and Markets should be empowered to set up a uniform system of accounting for milk distributors similar to that recommended to the states by the Federal Trade Commission in its exhaustive survey of the national milk situation last year; that funds should be appropriated for a real bang-up investigation of the industry.

As to monopoly charges against the industry, Bennett reported that Borden and Sheffield sold 76% of all the milk sold at retail in the New York market. With the addition of four more companies "whose prices were almost identical," 90% of the market was accounted for. The prices arrived at by the bargaining agencies, he found, tended to be dictated by distributors. One producers' organization, the Dairymen's League, sells 67% of its milk to Borden, 22% under its own label, so that, says Bennett, even if it were not

prejudiced in Borden's favor, it would tend to take the distributors' side in bargaining agreements. Sheffield Producers Cooperative Assn. sells only to Sheffield Farms. There are 53,000 producers represented in the producers' bargaining agency formed under the Rogers-Allen Law. 36,000 are members of Dairymen's League or Sheffield Producers.

The producers' bargaining agency, which has been grousing about distributors' control of prices for some time, recently went so far as to suggest that the Federal Trade Commission move in to hold a hearing on the question.

But that's just one proposed solution to New York's milk troubles. The American Labor Party is fighting for a municipal milk plant as a yardstick. The New York City Council is mulling over the possibility of appointing a committee to do a thorough investigation of city milk. The Milk Consumers Protective Committee is taking time out from working up the plans for its milk co-op to blast at graded milk, pass the word around that tests show no difference between Grade A and Grade B milk. Borden and Sheffield are beginning to lose sleep. And even the cow isn't very contented these days.

Oleomargarine Faces New Attack

FTC, prompted by dairy interests, complains of Jelke's references to churns and churning, but after 50 years margarine makers are resigned to such sniping.

THERE'S one group of business men today which regards with indulgent apathy the rising chorus of complaint about government interference with business. That group is composed of the two dozen individuals who head the two dozen licensed oleomargarine factories in the United States. Their business has been tied to the government's apron strings so closely and so long that they have come to regard it as the normal way of doing business. No other industries except those making alcoholic liquors and narcotic drugs have been so bound about with laws and regulations, licenses and taxes.

Largest manufacturers in the field, never more than 2% apart and regularly reporting about 50,000,000 lbs. apiece each year, are John F. Jelke Co. (Good Luck) and Best Foods, Inc. (Nucoa). These are the shining targets for anyone yearning to take potshots at the margarine makers. There are plenty of experienced marksmen eager to do the sniping, for the industry has been fair game, with never a closed season, since the first federal regulatory law, imposing a 2¢-per-lb. tax, was passed back in 1884.

Last week, in the absence of President Jelke at Palm Beach, a new type of missile landed on the desk of Jelke Vice President A. K. Fisher. It was a Federal Trade Commission complaint, first in the memory of any one in the industry. Aimed squarely at Jelke's "Believe-It-or-Not" advertising campaign of preceding months, particularizing half a dozen alleged infractions of strict truth in advertising, the complaint dealt with evils which had been voluntarily abated by the company at the first intimation of FTC displeasure last spring. Abated, that is, with one exception, for the Jelke people refuse to agree to refrain from using the words "churn, churned, churning" as applying to the equipment, process, and plant producing their product.

Phrases Hit by FTC

The claims and phrases which FTC wants Jelke to stop using include the following: "Made from a pure vegetable product churned in fresh, pasteurized milk"; "From a sunlit churning"; ". . . made from wholesome American vegetable oils churned in a large percentage of pasteurized milk". And

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there's no doubt in Jelke's mind about the source of the inspiration for these complaints.

Oleomargarine manufacturers always look under the bed before retiring, lest a representative of the dairy industry be lurking there for no good purpose. For their part dairy folks are ever alert to prevent any claims that may lead housewives to consider oleomargarine anything but a cheap, inferior substitute for butter. Margarine makers indignantly rejoin that their product is one of sufficiently high quality—both in nutritive value and taste—to stand on its own feet and that it doesn't have to resort to subterfuge to find a market. (The most expensive brands, Good Luck and Nucoa, retail at approximately one-half the chain-store price of table butter in one-pound cartons.)

Nub of the Difficulty

Whatever the respective merits, dairy interests fight tooth and nail against margarine appropriating any words or phrases that might sound as though this were a dairy product. Here, of course, is the nub of the Jelke troubles. No lover of truth could deny the facts behind the words. The "fresh, pasteurized milk" is fresh and pasteurized, though not whole milk. It is purchased from Chicago's Bowman Dairy Co. after removal of the cream for bottling and sale. Since the FTC trouble has blown up, Jelke has inserted the qualification "fat-free" just as rapidly as it could revise its advertising plates and use up old supplies of cartons.

When it comes to dropping references to churning, churning, and churning, Jelke

balks. Margarine manufacturing equipment is listed by its makers and purchased by its users as churning; much of it is identical with churning used in butter-making. A churn churning, say Jelke officials; if a department in which churning is not a churning, then what is it?

That the oleomargarine industry has managed to survive at all in the years it has been harried by government points to the inherent vitality of the business and the natural demand for its product. In 1884 it was taxed 2¢ a lb., with no reference to color, and this stood until 1902. Then the law was amended to tax at 10¢ margarine containing artificial color, at 4¢ natural-colored margarine. Many a margarine maker thereupon managed to produce a natural-colored product that was very yellow, by using the yellow fats of old beef critters and adding up to 30% of June butter; the mixture was called butterine, and dodged the higher tax rate. In 1931 the dairy interests got that loophole plugged by amending the law to extend the 10¢ tax to all margarine that is yellow in color to the extent of 1.6 by Lovibond reading, leaving the tax at 4¢ on white margarine. Result is that practically every manufacturer sells it white, gives away a small package of color sufficient to bring up the color to that of natural butter. Only big market for colored margarine is the federal government, which buys it tax-free!

Every dealer who sells uncolored margarine must have a federal license that costs \$6 a year, but he has to pay \$48 if he wants to handle colored margarine. If he sells 10 lb. or more at one time,

MARKETING ANGLES

Merchandisers used to say that you had to get up awfully early if you wanted to get ahead of R. H. Macy. Then fair trade came along and Macy had to sleep late, along with the rest of the boys. Last week Macy was out early once more, announcing in full-page newspaper ads that it was starting a new book club—Macy's Red Star Book Club. Though it had taken a long time, Macy had managed to discover this loop-hole in the fair-trade laws which would give the store a chance to regain its position as the biggest retail bookseller in the U.S. The way the book club works is that the customer signs up as a member, has a choice of more than 2,500 price-fixed books he can buy from Macy at the regular publishers' prices. Every time he buys four books Macy gives him a certificate worth 25% of the purchase price of the four books. He can use the certificate towards the purchase of more books at Macy's. A vicious circle—and a healthy swipe at fair trade.

ladies' club circuit to bring the advertisers' story to the consumer. McCall's Magazine has joined the consumer movement now. Starting with the April issue McCall's is running a "how-to-buy" service, telling its readers what to shop for, how to get good quality and quantity for their money.

Ever since repeal the states have been trying to devise methods of protection for their local beer industries (BW—Jan 1938, p31). Indiana charged a license fee to handlers bringing beer in from outside the state. Michigan beer coming into Indiana had to go through a "port of entry" and pay an extra-high license fee. Angered, Michigan passed a law requiring its liquor commission to exclude beer from all states which were discriminating against it—10 in all. The law was to go into effect this week. At the last minute Michigan and Indiana liquor commissions hit on a compromise. Indiana agreed to remove the "port of entry" fee on Michigan beer. Michigan postponed its embargo on Indiana beer for a year, likewise removed Pennsylvania from the list of states whose beer was to be barred.

Last fall the Crowell Publishing Co. set up a consumer division in its offices, and set Anna Steese Richardson to touring the

How big?

How big should an advertisement be? Many recent examples of small space advertising give this question particular point.

Among our clients are several large advertisers who use small space for special purposes and from choice; also several small advertisers who use it from necessity.

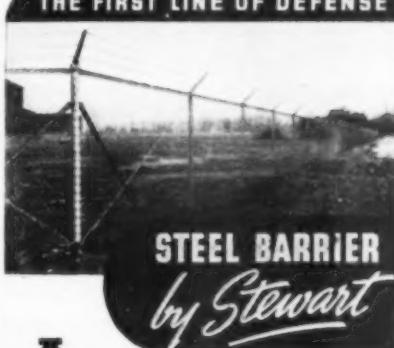
We have some interesting experience behind our belief that effectiveness need not be a matter of size.

**Newell-Emmett
COMPANY**

Advertising Counsel

40 EAST 34th ST., NEW YORK

THE FIRST LINE OF DEFENSE



STEEL BARRIER
by Stewart

A Stewart Non-Climbable Chain Link Wire Fence and Entrance Gate is unquestionably the most effective protection it is possible to buy at any price. It assures continuous, unflinching security; commands respect in no uncertain terms; controls traffic in and out of your property giving two-way protection every day in the year. Investigate today. Send for catalog showing many industrial installations and exclusive structural superiorities. Sales and Erection Service in all principal cities.

THE STEWART IRON WORKS CO., Inc.
518 Stewart Block Cincinnati, Ohio

Stewart IRON and WIRE FENCES
World's Greatest Fence Builders Since 1886



Even the fastest workers are slowed up by poor lighting. For poor lighting creates poor seeing conditions; increases errors and nervous fatigue; reduces general efficiency.

That is why more and more business firms are turning to "light conditioning" . . . lighting that makes seeing easier. Such lighting makes office work go faster, smoother, more efficiently.

Light conditioning also speeds manufacturing operations, cuts down accidents and improves plant working conditions.

Your local lighting company will gladly measure the lighting in your offices or plant free of charge and show you how easy it is to have light conditioning. Why not 'phone their lighting department today?

Write General Electric Co., Dept. 166-BW, Nela Park, Cleveland, Ohio, for a valuable free booklet, "Light for Seeing in the Office."



G-E LIGHT METER MEASURES
LIGHT as simply as a thermometer measures temperature. Every executive should have one. Only \$11.50.

THEY STAY BRIGHTER
LONGER... The new and brighter G-E MAZDA lamps give you more light than ever, at no extra cost.

GENERAL ELECTRIC
MAZDA LAMPS

he thereby becomes a wholesaler and must pay \$200 a year to deal in white margarine, \$480 in yellow. The manufacturer has to pay a license fee of \$600, has to post bond of \$100,000 with the Bureau of Internal Revenue to assure payment of all taxes due. Jelke and Best Foods each pay about \$125,000 annual tax on its production of 50,000,000 lb.

But the really heavy taxation is inflicted by the states, especially those where dairying is important and well organized. Wisconsin charges \$25 retail license fee, taxes margarine 15¢ a lb. The state of Washington charges 15¢ a lb. tax. Pennsylvania charges \$100 for a retail license.

This type of state tariff is raising interstate hostility. Chief ingredient of oleomargarine as made by most companies other than the meat packers is cottonseed oil. When a recent good will tour of Wisconsin business men, which was principally intended to further the use of the state's dairy products in the South, was called off because of obvious hostility among the natives for whom this mission was intended, the agricultural commissioners of the 13 cotton-growing states sent their own representative to Wisconsin to notify the administration that unless the bars were lowered to oleomargarine, they would produce a few tariffs of their own against butter, cheese beer, and other Wisconsin products.

So the half-century-old feud progresses to new developments, new bitterness, new weapons. The National Dairy Union in a recent news release indicated its purpose to go after amendments to outlaw the margarine industry's use of any terms even remotely connected with dairying, butter, or cows.

Question: "Is the FTC complaint going to be an effective new tool for the dairy people to use against the margarine makers?"

Answer (by Jelke Vice-President Fisher): "It looks to us like a screwdriver."

Instalment Caution

Down payments higher, terms shorter, as result of drive to reduce hazards.

THE drive, begun last year, to reduce the hazards of instalment selling (BW—Jul 17 '37, p 20) has produced results. A survey, just completed by the Bureau of Foreign & Domestic Commerce, reveals that down payments are higher and terms shorter as a consequence of the campaign to standardize instalment contracts.

The changes have not been revolutionary—by any means. Rather shifts have been gradual, and vary with the type of commodity and the section of the country. Automobiles, because the

large finance companies have tightened up, are nearest to standardization; jewelry and clothing, financed largely by the retailers themselves, are farthest from standardization.

Generally, the most liberal terms (in finance company parlance, the word "terms" means length of time) are found in the South Atlantic and Pacific areas. North Central states tend to be most conservative. In 1937, both down payments and terms were inclined to the liberal extreme in the Middle Atlantic and Mountain states. New England was inclined toward low down payments.

No exact measure of the shift in terms is available, but indications of what happened between December, 1936, and December, 1937, are as follows:

New Automobiles—33 1/3% down payment supplanted former 30% or less (particularly 25%) requirement. 18 months are now standard terms, as compared with some 36 months' contracts formerly, but more usually 18 to 24 months.

Used Automobiles—33 1/3% down payment continues to prevail, but in some cases has been raised to 40%. Marked contraction in terms from 18-to-24 months down to 12-to-18 months. Emphasis is on 12 months.

Furniture—There has been some reduction in length of contracts, but it is not marked. 12, 18, or 24 months are the usual terms with 10% the most common minimum down payment.

Soft Goods—Most stores have been demanding minimum down payments, whereas in 1936 some stores sold without anything down; 10% is the usual minimum. 12 months is the accepted maximum period for payment.

Refrigerators—Both electrical appliance and department stores are tending to insist on a 10% minimum down payment. Department stores have been cutting down from 36 months to 24 months; appliance stores from 36 months to 30.

Washing Machines—Major change is in length of term. Maximum terms of 12, 18 and 24 months were characteristic of both 1936 and 1937, but 36 months' periods, which were fairly common in 1936, generally have been discarded. Minimum down payments continued around 10%.

Radios—Whereas in 1936 some stores sold radios with no down payments, toward the end of 1937 most outlets required at least an initial 10%. Terms of 12 months, and to a smaller extent 18 months, were general in both years, with some indications of tendencies to cut down from 18 months.

Jewelry—There was little change in '37. "No down payments" were fairly common, but as a rule most stores sought 10% down. 12 months tended to be the maximum period, but there

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SEE HOW C.A.N. WORKS (Case #69): *A client of the San Francisco C.A.N. member needed immediate and personal contact with the American Dental Association on a situation of importance. Instructions were air mailed to the Chicago C.A.N. member. The contact was made and reported by return air mail. THAT is C.A.N. agency service.*

These Nationally Recognized Advertising Agencies Are Members

CHICAGO
The Fenholz Company
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Scott-Telander, Inc.
NEW YORK CITY
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PHILADELPHIA (Headquarters)
John Falkner, Arndt & Co., Inc.
PITTSBURGH
Walker & Downing
PROVIDENCE
Larchar-Horton Company
ROCHESTER
Hugba, Wolff & Company, Inc.
ST. LOUIS
Anfenger Advertising Ass., Inc.
SAN FRANCISCO
Brewer-Weeks Company

CONTINENTAL AGENCY Network

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were terms up to 18 months in some cities.

Men's Clothing—Little change. There was a slight decrease in the number of stores granting purchases with nothing down. There was some concentration on \$5 down, or 10% to 35% as the initial requirement. Two to three months' terms were in evidence—signs of tightening up; but generally 12 months were allowed, and in some cases payments could be stretched to 24 months.



A certain oil refinery uses a large amount of sulfuric acid in processing its major products. The cost of this acid is a considerable item in the operations. The still gases from this refinery contain a large amount of hydrogen sulfide, which is of course a raw material for manufacture of sulfuric acid.

A Koppers Phenolate Purification System, recently installed at this plant, takes from the gas the hydrogen sulfide which had been a serious nuisance and recovers it in a form readily convertible into sulfuric acid which the company now gets at a fraction of its former cost.

KOPPERS COMPANY • PITTSBURGH, PA.

Boiler and Power Plants • Castings • Coal and Coke • Coal Cleaning Plants • Coke and Gas Plants • Creosote • Dehydration Plants • DHS Bronze • Fast's Couplings • Fire Hydrants • Industrial Chemicals • Municipal Incinerators • Piston Rings • Plate-Work, Tanks • Purification Systems • Recovery Plants • Sewage Disposal Equipment • Ships and Barges • Roofing • Tarmac Road Tars • Tar Products • Treated Timber • Water Gas Generators • Waterproofing • Valves

KOPPERS

Titanium Makes Paint History

Sherwin-Williams will start manufacturing this pigment, competing with its former suppliers. Since '29 titanium imports have jumped over 500%.

ANNOUNCEMENT by Sherwin-Williams Paint Co. on Mar. 9 that it was going to manufacture white titanium pigments meant little to the man in the street but it meant lots to the men in the industry. This move by the largest unit in the business is acknowledgment of an important new development in paintmaking. Moreover, it signifies a shift for Sherwin-Williams from a buyer to a producer of titanium pigments. In the place of a large and steady customer, the producers of the pigment are to

have a large and important competitor.

Sherwin-Williams bought a 20-acre plot on the Delaware River at Gloucester, N. J. for its titanium plant. This being on tidewater, ore can be brought in by boat. Explaining the move, a company executive told *Business Week*:

"This is in line with the Sherwin-Williams policy of controlling its own important raw materials. Titanium pigment was the only outside item. By making it we can save the selling costs put on the price by companies which have been supplying our needs."

Titanium is one of those metals which develop so fast that they become a part of the national life long before the general public gets acquainted with them. It is another triumph of the chemical industries. Titanium pigments are employed in all sorts of covering and coloring formulas. In paints, the new white runs smack into competition with white lead, zinc oxide, lithopone. A measure of its expansion is evident in the revised compositions for outside paints. For this type a typical pigment combination formerly consisted of 60% white lead, 30% zinc oxide, 10% "inerts" or filler material. Now the white lead and zinc oxide content has dropped considerably, and the proportion of titanium pigments substituted therefor has risen to about 30% of the total.

Qualities of Titanium Pigments

Titanium whites cost considerably more than competing pigments. The current price is 16¢ per lb., against 6¢ per lb. for white lead. But titanium's virtues are so manifold that they outweigh all other factors. Titanium pigment, being lighter, bulks more, pound-for-pound, than lead; the covering capacity of titanium dioxide is said to be 10 times that of lead. Its opacity (non-transparency) is far greater than competing pigments. Titanium pigments combine perfectly in almost any mixture, remaining completely unaffected. As chemists say, "They are inert." They are indifferent to intense heat or intense cold. Also they are non-poisonous, a quality that encourages their use in food packaging, cosmetics, etc.

Leader in titanium research in this country has been the National Lead Co., whose titanium division handles this end of its business. National Lead only makes the pigment which it sells to paint and other manufacturers. Other important producers are Krebs Pigment Corp. (a duPont subsidiary), American Zirconium Corp. (a Glidden

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subsidiary), Virginia Chemical Corp. (a subsidiary of Interchemical Corp.).

Entry of Sherwin-Williams into the making of titanium pigment will be generally felt. Its purchases formerly were spread around among the big manufacturers. During the past few years all important makers of paint have gone over to titanium compositions.

Titanium is a metallic element like gold, silver, copper, lead or zinc. It was discovered by the Rev. William Gregor in black sands along the Cornish coast of England. The name derives from the Titans, who in mythology were the first sons of the earth. The discovery was made in 1791. As in the case of many other important metals, there was a long lapse before any practical use was found for titanium.

Dr. Rossi's Work

In the United States, Dr. A. J. Rossi contributed much to the development. As early as 1908 he separated an impure titanium oxide and proved its unusual opacity in a most unusual manner. He mixed it with ordinary salad oil and applied the combination as a paint. Dr. Rossi had already demonstrated the commercial possibility of titanium alloys. As a result of discoveries here and abroad, the Titanium Alloy Manufacturing Co. was established at Niagara Falls, N. Y. The Titanium Pigment Co. was organized in 1916 and a plant was built next door to the alloy unit.

Four years afterward National Lead bought into Titanium Pigment. It later bought full control. By 1922 demand had increased beyond the capacity of the Niagara Falls plant and the pigment was imported from Europe. Spurred by this showing, National Lead improved its processes, multiplied its capacity, widened its markets. The duPonts entered the field some five years ago.

How Average Man Is Affected

National Lead's trade name for the pigment is Titanox. A recent booklet dramatizes the points at which Titanox touches the life of the average man. It is in the enamel of his bed, the rayon of his pajamas, bath-tub enamel, soap, shaving cream, face powder, rubber flooring, plastic toilet articles, breakfast food box, chinaware glaze, automobile enamel, white tile walls, business stationery, cigarette paper, etc., etc., etc. There is another important field in industrial paints, where the brilliance and durability of the titanium whites have outdistanced all competition.

The cost of titanium pigments is due to difficulties of separating the oxide from the ores. This is accomplished through solution in sulphuric acid, followed by many other complicated steps. Improvements are constantly being made to reduce costs. The present 16¢ price per pound for titanium

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MALLORY "FINGERS"

*take the Pulse
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Tiny fingers of metal—Mallory electrical contacts—insure the speedy, accurate operation of modern business machines . . . calculators, cash registers, billing and adding machines.

Wherever long life and unfailing service are required in making or breaking an electrical circuit, Mallory contacts get the call.

Mallory is the only company that makes electrical contacts for all classes of service—from giant circuit breakers to automobile ignition points.

Through this wide range of experience, and its unexcelled facilities, Mallory is ably equipped to serve a highly diversified group of manufacturers in this highly specialized field.

P. R. MALLORY & CO., Inc.
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PARTS FOR RADIO, ELECTRICAL,
AUTOMOTIVE AND INDUSTRIAL FIELDS



METAL EDGE

Strongest Paper Box

338 N. 12th St. Philadelphia, Pa.

dioxide looks high until compared with prices of \$1.50 per pound in 1921, and 50¢ in 1925.

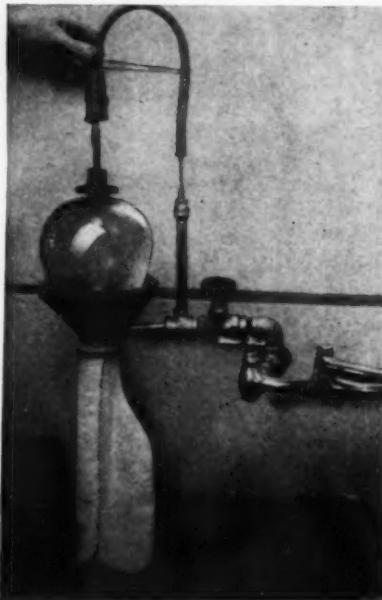
There is no danger of exhausting titanium deposits. This element is the ninth most abundant in the world. The only questions are accessibility, purity of titanium in the ores, difficulties of extraction. Much of the ore is imported, for the reason that the most satisfactory grades are found abroad. India is the principal supplier. Norway also is a heavy exporter.

Import figures are a yardstick to gauge the growth of titanium's markets. In 1929 some 22,386 long tons were brought into the United States, by 1935 the tonnage had jumped to 11,871—an increase of 517%. The 1936 imports were 127,491 long tons, valued at \$687,800. Producers of the pigment aren't saying how much they are selling currently. A government statistician figures that between 1929 and 1934, titanium sales rose from 5% of all white pigments, to more than 13%.

New Products—New processes, new designs; new applications of old materials and ideas.

NEWEST device to expedite record keeping with punched cards is the "International Collator" of International Business Machines Corp., New York. As a filing machine, it will compare two groups of cards and merge them in correct numerical sequence at the rate of 14,000 to 28,000 per hour. As a pulling machine, the collator makes it possible for one group of cards to pull corresponding cards from a second group. Cards not pulled are segregated for return to the master file.

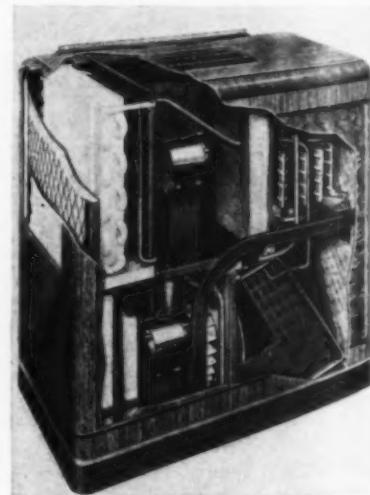
WHATEVER the exact make of the glass bowls used in vacuum coffee makers, the job of washing them thoroughly is a time consumer and a breakage inviter. Cascade Sprayer Co., 2709 First Ave. S., Seattle, Wash., is marketing "Kimex,"



a washing device for attachment to the hot water line in any restaurant kitchen. Invert the bowl into a rubber-lined receptacle; attach a hose to the stem end—hot water will descend through the stem

and spray upward into the bowl, removing all coffee grounds and depositing them either into a cloth bag or through suitable pipe connections into the drain.

IN April, Delco-Frigidaire Conditioning Division, General Motors Sales Corp., Dayton, O., will begin to market its new unit conditioner for cooling, dehumidifying, filtering, and circulating the air in any private office or home. Thermo-



stat prevents cooling below any temperature pre-selected on its control panel. Air direction selector obviates drafts. Hermetically sealed "Meter Miser" cooling mechanism operates without belts, pulleys, connecting rods, and oil pumps. In May, Delco-Frigidaire will begin to market three new automatic home stokers designed to burn bituminous coals.

NEW adhesive compounds developed and patented by Bauer & Black, Chicago, make it possible for them to sterilize their new line of "Double Sealed Wet-Pruf Adhesive Tape" in live steam at a temperature of 240 deg. F. Special string opening devices on the sealed packages make them tamper-proof.

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AMERICAN ASPHALT PAINT CO., Chicago, is bringing out a new line of "No-Odor" Valdura Oil Wall Paints. Claim is that all paint odors have been removed by a newly discovered process, not merely concealed by perfumes and "neutralizers."

THE new "Bail Key," invented by Oscar Week, 622 Adams St., Wausau, Wis., makes it unnecessary for the user



of friction-top pails to hunt around for a suitable opener. Key is hard to lose because it is part of the bail itself.

NEWEST model Vulcan Stoker, built by Vulcan Anthracite Stoker Co., 642 S. Main St., Wilkes-Barre, Pa., is designed to handle either bituminous coal or anthracite. It will take fuel from a bin 50 ft. away, if necessary, and deliver ashes to as many cans as desired, or to an outside receptacle as far away as 50 ft. If either the receptacle or the bin or both happen to stand at an angle to the stoker, the device is so flexible that it will take care of the job. Full thermostatic control makes it easier to operate than a radio.

Two important features mark the new Bruning Mercury Vapor Tube Printer for blue prints or black-and-white prints up to 42 in. in width: 50% greater printing speed with markedly less current consumption. Charles Bruning Co., 102 Reade St., New York, makes it.

CANDIDATES for Social Security benefits who worry more or less about the fragile character of the card supplied by the Government will be glad to know that they can secure bronze cards, about the size of calling cards, with name and number permanently engraved. D. E. Johnson Co., 135 W. 22nd St., New York, does the job complete with a leather pocket case.

**Rx For Immediate
Increase in Truck Profits**

.. reduce your **TIRE EXPENSE**

You operate trucks, of course, to make money. And the money you make is whatever portion of your truck dollar that is left after all expenses are paid.

Now who gets a slice of your dollar?



AFTER THESE 5 GET THEIRS, YOU GET YOURS

This tire item is the *only one* that can be reduced easily and quickly. And as you reduce it, *your profit slice increases*. The formula for decreased tire costs? Use the best tires you can buy and take good care of them.

General Truck Tires have always been built stronger—to do their work better—deliver greater mileage and haul more payload. It costs more to build a General, but thousands of truck operators know it costs less to use Generals. See your General Tire dealer. He may be able to reduce your tire costs materially.

THE GENERAL TIRE & RUBBER CO. • AKRON, OHIO
In Canada—The General Tire & Rubber Co. of Canada, Ltd., Toronto, Ont.

GENERAL TRUCK TIRES

Silk and Wool Rules

FTC talks to two industries concerning regulations for identification of fabrics.

LAST fall the Federal Trade Commission, urged on by retailers, who were in turn urged on by consumers and clubwomen, embarked on a fiber identification campaign and handed down a set of fair trade practice rules for the rayon industry, which required that the presence of rayon fiber in fabrics must be disclosed on all invoices, advertisements, and labels.

Last month the FTC tapped the silk and wool industries for the same purpose. The silk industry trudged obligingly down to Washington with a set of proposed fair trade practice rules.

Disagree on Weighting

On only one point was there violent disagreement within the industry—the disclosure of the percentage of weighting in fabrics. Half the industry figured it was enough to state that a fabric was weighted, without giving the percentage, since it was no guarantee of wearability anyway, and the consumer was already confused as to what weighting meant.

The FTC took the rules under consideration, however, after only one day of wrangling, and the industry marched back home, muttering in its beard over the presence at the conference of some particularly audible representatives of the rayon industry who had come down to make sure silk didn't escape anything rayon got.

The wool industry likewise tramped down to Washington last week. Its rules are going to be a tougher nut to crack. The National Association of Wool Manufacturers, which had at first balked about going at all, finally went in order to have the conference postponed. Which it was after a short and stormy session.

The Label Question

The only rules proposed had been drawn up by Julius Forstmann of the Forstmann Woolen Co., in Passaic, N. J., which had quit the association last year over the question of labeling wool as either virgin or reworked. The virgin wool label, as far as the manufacturers' association is concerned, is a whimsy of the wool growers' associations, which want it put in the rules so that they'll be able to sell more wool, when, as a matter of fact, say the manufacturers, whether wool is virgin or reworked has no effect on the quality or wearability of a cloth.

A small committee was set up to devise rules, and to meet with the FTC and propose the rules on Mar. 22. This week the committee was having more trouble agreeing on anything than the full conference had.



Not without a net!

Imagine performing this trapeze act without a safety net! Yet it is just as foolhardy to motor without adequate, all-round insurance protection.

Any one of Standard Accident's 9000 representatives will explain all automobile coverages to you . . . particularly Liability, Property Damage and Collision. There is no time like the present to take out new insurance . . . or to check up on insurance already in force.

A Standard of Detroit policy, backed by a sound financial structure and nation-wide representation, guarantees you coast-to-coast protection . . . prompt attention to your claim anywhere, any time. This 54-year-old institution writes every form of casualty insurance and bonds.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

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Pack-Control

Canners' board in California points to value of price plan in handling spinach crop.

SPONSORS of the three-year stabilization plan developed by the Canners' Industry Board in California to prevent price quotations from being made before costs are determined, are pointing to what they claim is a demonstration of the plan's value in saving packers money.

The board's cost survey on the spring spinach pack (BW—Feb 19 '38, p24) had set \$1.05 a case for No. 2½ cans of spinach cut above ground (\$1.21 for the below-ground variety which predominates heavily in the California pack).

Soon after the cost figure was announced, heavy rains cut the spinach crop drastically; between 25% and 50% in some sections. As a result, the entire raw material outlook for the spinach packers changed. Had the 31 signers of the Canners' Board program followed their usual practice and quoted future prices on a basis of the pre-rain prospects, they would be definitely out on a limb, the plan's sponsors maintain.

A new survey is being made by the board, based on short-crop conditions. Meanwhile, members are holding off on price quotations. At the same time, the cost study on asparagus, the next packing crop in California, is nearly completed.

Sell Voluntary Idea

Butler Bros. capitalizes anti-chain feeling by promoting its **Ben Franklin** league.

For the last ten years, while variety and dry goods chains grew bigger, the distinguishing feature of the merchandising policy of Butler Bros., Chicago wholesalers of dry goods and general merchandise, has been its effort to weld independent merchants into "leagues" the members of which bought large portions of their merchandise from Butler Bros.

With gross sales running from \$80,000,000 to \$90,000,000 a year, with branches in New York, St. Louis, Baltimore, Minneapolis, Dallas, and San Francisco, Butler Bros.' big idea was to build its own business by helping independent merchants. The company forego no organized drive on corporate chain stores (such as its own Scott-Burr chain); it merely pursued a merchandising idea different from others. In pursuit of that policy it built two "leagues"—Ben Franklin Stores (variety) and Federated Stores (dry goods). The two "leagues" together number about 4,000 stores.

With the corporate chains now definitely on the defensive as state and na-

SPEED PAPERS

by AIR MAIL within your plant!



... with LAMSON TUBES

Speed up the interchange of orders, memos, instructions, records and other important papers in your organization with Lamson Dispatch Tubes... Ten times faster than the swiftest messenger, Lamson carriers whisk important papers, tools, within the same building or to outlying buildings.

Whether your organization is large or small, there's a Lamson system to fit your needs. And it is economical, too, pays for itself in the time and steps it saves. MAIL THE COUPON TODAY for a copy of the booklet, "Wings of Business"—which shows how Lamson Dispatch Tubes can be adapted to your business. Or ask for our nearest sales engineer to call.

LAMSON Dispatch TUBES

"AIR MAIL" within Your Own Plant!



SEND THIS COUPON TODAY

THE LAMSON COMPANY, INC., Syracuse, N. Y.

Send me a Free copy of "Wings of Business" without obligation.
 Have your sales engineer call.

Name _____

Company _____

Address _____ State _____

ADVERTISING PLAYING CARDS

**Make your customer's
visit something
he will remember!**

When the good customer who has visited your plant comes to leave, surprise and delight him with a pack of advertising Playing Cards.

He will take your gift home for many hours of pleasant use. It will recall his visit again and again. He will think first of your Company and product whenever he is solicited to buy something in your line.



Write on your business stationery for interesting FREE booklet "The Winning Hand;" ways and means of increasing your business with playing cards.

Manufacturers of
Advertising
Playing Cards

BROWN & BIGELOW

Remembrance Advertising

SAINT PAUL, MINNESOTA
Makers of Calendars and Advertising
Specialties Since 1896



HOTEL
Lennox
SAINT LOUIS

OVER 50% OF ALL ROOMS \$3.50 OR
LESS. SINGLE: \$5.00 OR LESS. DOUBLE

FEEDING

Quality is crafted into every APPCO Envelope! You will like their superior tone, rich appearance and strength. Ask for samples and prices.



APPCO

UNIFORM QUALITY

ENVELOPES

The American Paper Products Co.
East Liverpool, Ohio, U.S.A.

tional legislation, supported by strong popular sentiment, threatens them with dismemberment, Butler Bros. has decided to launch an aggressive promotion campaign for its Ben Franklin Stores—a program which includes as one of its novel features national advertising in behalf of a voluntary chain.

Boosting the League

Last week, to the proprietors of all Ben Franklin stores, Butler Bros. mailed a 16-page, two-color prospectus of the program entitled, "All America to hear about BFL (Ben Franklin League)." Prominent in the folder was a copy of the full-page advertisement to run in the May 14 issue of the *Saturday Evening Post*. The headline of the advertisement reads, "Do you know what these 2,600

merchants are doing for you?" Copy designed to answer this question, rehearses the essential qualifications of a Ben Franklin proprietor: capital of \$5,000 or more, character, and business ability. A coupon form is provided for those who wish to receive copies of a booklet containing more specific information about the Ben Franklin plan of retailing.

Neither in the advertisements nor the booklet is anything said about chain stores, yet the difference between a company owned chain and a league of independent merchants is emphatically though subtly set forth.

Thus far, Butler Bros. has contracted for only one *Post* insertion, but it expects to take additional space on behalf of both the Ben Franklin and Federated Stores.

Congress Rejects New Deal

In defeating President's tax program, it turns unmistakably toward conservatism. Farley machine will help to nominate anti-Roosevelt man in '40.

WASHINGTON (Business Week Bureau)—Congress is itself again. It dares the President to veto a tax bill that will eliminate the family corporation surtax and all but a shadow of the undistributed earnings tax. It will not give Roosevelt his own way on anything else that's politically important, with the possible exception of the wage-hour bill. That will have to be very mild to get through. It's the one big "if" in the behavior of a business-minded Congress that is turning more conservative every day—turning away from the New Deal that couldn't stop another depression.

By refusing to carry on the New Deal reform program, Congress is giving it self the credit for the sun that's beginning to shine behind the clouds. If it breaks through, Congress will go home happy. A huge relief appropriation will be necessary in any case. Hundreds of millions will be distributed before November. The machine that Farley built, however, is working less and less for Roosevelt and the New Deal—more and more for the gradual alignment of anti-Roosevelt forces in the Democratic Party which expect to name their own man in 1940.

Cramping President's Style

Congress is pushing routine business, playing politics designed to cramp F.D.R.'s style, putting a stop to further concentration of power in the White House. The first New Deal Congress gave him wide power to reorganize the government. That was in March, 1933. The President transferred back to the Interior Department the Bureau of Mines that Hoover had transferred to

the Commerce Department. He consolidated several scattered farm credit agencies under a single administration that was Sec. Morgenthau's first job in Washington. He pulled around a few other odds and ends and was content to let his emergency power lapse on its expiration date two years later. Congress was still in his lap and he had more ambitious plans that he thought he could carry out when he got ready. Now he's fighting to save a few fragments of the reorganization scheme that he submitted in January, 1937.

Fight Reorganization Plan

Much the same kind of opposition that he had in the court fight and several of the same men—Wheeler of Montana, George of Georgia, Walsh of Massachusetts, Byrd of Virginia, Bailey of North Carolina, Clark of Missouri—are forcing him to his knees in his attempt to bring all federal government agencies under the domination of the White House.

The New Deal's efforts to split big and little business met such surprising resistance on Capitol Hill last winter that the President was forced to let antitrust law revision go over until next year. Investigation in the meantime may develop some support for a streamlined anti-monopoly law; but in the meantime, also, Congress is training its guns on the conduct of the government's own corporation—the Tennessee Valley Authority. A bill that would give Roosevelt wide powers in wartime draft labor and limit profits, is kicking around but won't get anywhere unless Uncle Sam sticks his neck out. The big navy bill is running into heavy vocal

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There will be a hard fight over processing taxes. The politics in the situation favors farmers, but the outcome is unpredictable. Levies of 15¢ a bu. on wheat, 2¢ a lb. on cotton, if imposed, probably will be applied in the form of manufacturers' excise taxes on the finished products. This method, it is argued, would be much simpler in practice. Processors urge, of course, that if additional money is passed out to farmers it should be raised by income taxes. It's logical but politically impractical.

There are half a dozen proposals for making intermediate capital available to medium and small business but the present prospect is that nothing will be done this session.

Enactment of several other measures that are slowly ripening will depend on the date of adjournment. This will not be as soon as generally expected—June—as time must be allowed for talk if not action. Important among pending measures are the Glass-McAdoo bill to regulate bank holding companies, SEC's bill to regulate over-the-counter trading, and various other amendments to the Securities and Exchange Act and the National Bankruptcy Act.

Rail Woes Impress Congress

Legislation designed to restore the railroads to financial health will be slow to take concrete form. The present study given the many-sided problem is not expected to produce action this session. The railroads' plight has so impressed Congress, however, that it will not accede to the railroad unions' demands for costly innovations such as the 70-car train limit bill. The Senate probably will follow the House in repealing the long-and-short haul clause, thus giving the roads a better opportunity to meet truck and water line competition by cutting rates on through traffic without a corresponding reduction of rates to intermediate points.

FTC Gets New Power

Wheeler-Lea law enlarges its authority so that it may protect the consumer.

With final acceptance by the Senate of the conference draft of the Wheeler-Lea bill this week, the Federal Trade Commission prepared to enter the lists as a new champion of consumer rights, confident that no Presidential veto would upset its schedule.

The new amendments to its organic act free the commission from the restrictions of the Raladam decision which for the past dozen years have prevented it from taking action against false advertising except in so far as it could prove that such advertising injured competi-

FARMERS DEPOSIT NATIONAL BANK

OF PITTSBURGH

ESTABLISHED 1832

Capital and Surplus Twelve Million Dollars



STATEMENT OF CONDITION · MARCH 7 · 1938

RESOURCES

CASH AND DUE FROM BANKS	\$ 25,240,766.76
U. S. GOVERNMENT SECURITIES	52,755,901.69
OTHER BONDS AND SECURITIES	5,278,858.86
LOANS AND DISCOUNTS	10,133,772.19
BANK BUILDING	4,754,210.68
OTHER REAL ESTATE	121,637.14
OVERDRAFTS	68.71
OTHER ASSETS	29,777.48
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	\$ 98,314,993.51

LIABILITIES

CAPITAL	\$ 6,000,000.00
SURPLUS	6,000,000.00
UNDIVIDED PROFITS AND RESERVES	4,324,924.62
DIVIDENDS DECLARED BUT NOT YET PAYABLE	180,000.00
RESERVES FOR TAXES, ETC.	203,724.77
OTHER LIABILITIES	23,024.84
DEPOSITS	81,583,319.28
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	\$ 98,314,993.51

DIRECTORS

ARTHUR E. BRAUN President	JAMES E. LEWIS President, Harbison-Walker Refractories Co.
GEORGE H. CLAPP Director, Aluminum Co. of America	SIDNEY S. LIGGETT Banker
GEORGE L. CRAIG President, Chartiers Oil Company	WILLIAM L. MONRO President, American Window Glass Company
MAURICE FALK Director, National Steel Corporation	FRANK R. PHILLIPS President, Duquesne Light Company
WILLIAM C. FOWNES, JR. Industrialist	F. BRIAN REUTER Vice-President, The Union Trust Company of Pittsburgh
JOHN G. FRAZER Member, Reed, Smith, Shaw & McClay	ANDREW W. ROBERTSON Chairman, Westinghouse Electric & Manufacturing Co.
CHARLES W. FRIEND Vice-President, Brownsville Coal & Coke Company	WILLIAM WALKER Director, Reliance Life Insurance Co.

BEHIND THE ENDURING INSTITUTION · SUCCESSFUL CUSTOMER

Member Federal Deposit Insurance Corporation



\$50,000 A DAY FOR TAXES

● Taxes on companies in the Associated System amount to \$18,191,860 a year or to \$49,841 a day—holidays included.

Gigantic as is this total, it is not so alarming as the rate at which the tax burden is increasing. For the 12 months ended October 31, 1937, the increase over the previous 12 months was 28.6%. In the past 5 years taxes on companies now in the System increased 77%.

Utilities wish to contribute their share to the cost of gov-

ernment. But when taxes on utilities become excessive, the industry's credit is impaired, and it is unable to attract all the funds necessary for new construction. As a result, service to customers may suffer.

TAXES INCREASE 77%	
1932	\$10,242,037
1933	11,244,392
1934	13,052,284
1935	13,865,221
1936	15,250,813
1937*	18,191,860

* 12 months ended Oct. 31.

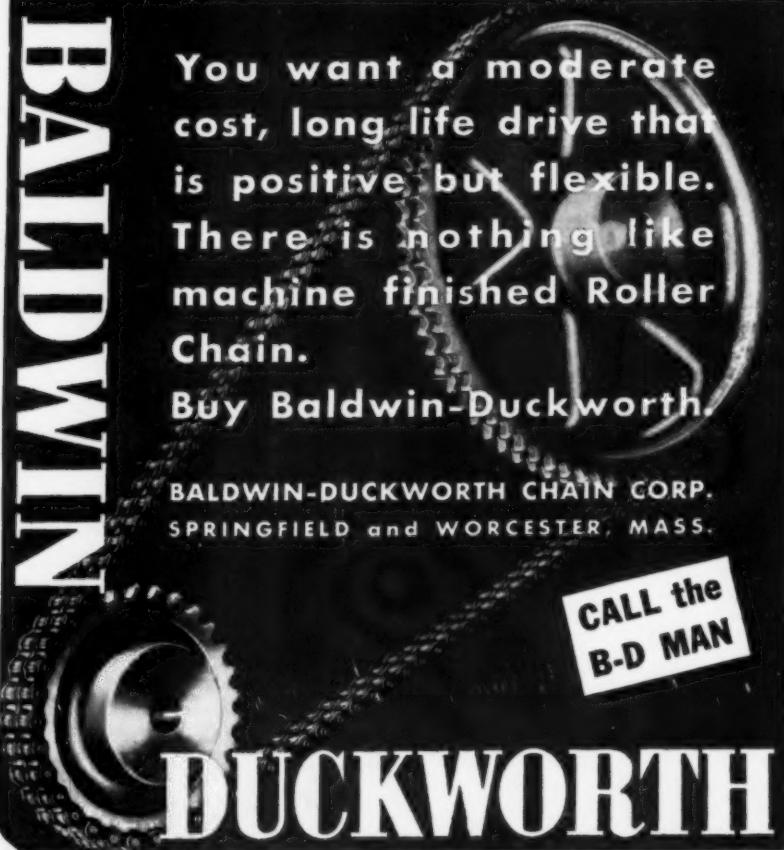


ASSOCIATED GAS & ELECTRIC SYSTEM

You want a moderate cost, long life drive that is positive but flexible. There is nothing like machine finished Roller Chain. Buy Baldwin-Duckworth.

BALDWIN-DUCKWORTH CHAIN CORP.
SPRINGFIELD and WORCESTER, MASS.

CALL the
B-D MAN



tion. Now it is empowered to move against all "unfair or deceptive acts or practices in commerce." Further, as cease-and-desist orders, which now become final unless appealed within 60 days, are buttressed with the threat of a \$5,000 fine for violation.

Proud as the commission is of the streamlining done on this section of its 25-year-old act, it is most pleased with the new sections that have been added which give it exclusive jurisdiction over all food, drug and cosmetic advertising and which clinch its victory in the five-year fight to prevent the Food & Drug Administration from gaining such authority under the long pending Cope-land bill. In the exercise of its new authority, the commission is empowered to seek court injunctions when its cumbersome cease-and-desist system seems unequal to the job of coping with false food or drug advertising. Publishers and broadcasters are specifically excluded from the operation of such injunctions when their business would be hindered and when they can prove good faith.

Finally, the measure provides for fines of \$5,000 or six months' imprisonment if the "commodity advertised may be injurious to health under the conditions prescribed in the advertisement thereof or under such conditions as are customary or usual, or if such violation is with intent to defraud or mislead." Under the new provisions an advertisement is adjudged false not only in terms of the representations "made or suggested" but also in terms of the extent to which it "fails to reveal facts material in the light of such representations."

Despite the apparent stringency of these provisions, business is relieved that the control of advertising reposes finally in the FTC and not the F&DA; it does not anticipate any big crackdown from its old friends in the commission offices.

Labor Board Victory

Appeals Court orders Consolidated Edison to drop A.F.L. union, give C.I.O. a chance.

THE National Labor Relations Board marked up another court victory. Committee for Industrial Organization unions in the utility field got a psychological shot in the arm which intensified their organization drives, and utility lawyers throughout the country were given something to think about this week in the noted "Con Edison" case. But the decision of the United States Circuit Court of Appeals in New York, upholding the NLRB order to Consolidated Edison Co. and affiliates to drop an agreement with an American Federation of Labor union and start all over in collective bargaining, marked only an important milestone in the long-fought case and didn't conclude it. The

Farmers Bear Down on Harry Bridges



SPOKESMAN BANCROFT

With a \$600,000,000 gun, the farmers of California last week fired their first shot in a major attack on Harry Bridges and his "march inland."

Appearing before the Committee of 43 in San Francisco, the Associated Farmers served notice on the city's business men that they must keep the road to market clear "of labor domination" or see a large portion of the \$600,000,000 spend annually by the farmers go to other buying centers. These demands have long been part of the aggressive anti-Bridges program sponsored by Associated Farmers (BW—Jan 26 '38, p. 35), but never before have they been presented as a flat ultimatum.

Spokesman for the group was Phil Bancroft, A. F. vice-president, who appeared in a broad-brimmed hat, flannel shirt, and high-topped boots that added an authentic ranchman note.

Edison attorneys indicated this week that they would file a new appeal, with Supreme Court opinion in view.

Among labor cases of the past two years, the "Con Edison" battle ranks high in interest, because the question of interstate commerce is deeply involved (BW—Jun 26 '37, p. 41), and because the employer is one of those which decided that one union had jurisdiction and signed up with it, without benefit of employee elections or NLRB advice. Recent court decisions have almost unanimously favored the NLRB contention that it had power to order abrogation of such early contracts if it found a competing union was improperly excluded from consideration.



JUST A COMMON FREIGHT," a haughty Pullman car calls me. Sure, that's me—C & O 9259—a box car *and proud of it!*...Standing here in a forwarding yard, waiting to be switched into a fast manifest train, I say to that Pullman, "Sister, if your train didn't run tonight, it wouldn't make a terrible difference to many people. But if *my* trains didn't! Say, if my trains stopped, jobs would stop—living would stop. My trains carry food—materials to build and work with—medicines to fight disease with—necessaries...All right, I'm the draught-horse of the railroad; but I get around. Up and down my own line and off, just last month, on five different connecting roads...with milk bottles from Charleston, West Virginia, to Boston...picked up again by a C & O train at Potomac Yard near Washington with sugar for Cincinnati...down to Richmond, Virginia, with canned goods and jars of jam and jelly...on to a Newport News warehouse to take leaf tobacco to a ship bound for China...I may be a 'common freight car,' but my railroad keeps me in the pink of condition and handles me and my contents with every safety precaution they know, and with all possible speed...I may be unromantic, but I'm satisfied with my job—it's important."

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Thank you, No. 9259. That's how we feel about you—you're important. You're part of a superb equipment that helps us give shippers dependable service, controlled regular performance on schedules...and extra service whenever required. Chesapeake and Ohio representatives, located in principal cities from coast to coast, are ready and able to help you with your shipping problems.

CHESAPEAKE and Ohio LINES

CONTROLLED PERFORMANCE

MULBERRY MARKET

5 Distinct Services from

FRICK

Refrigeration

That's what this supermarket at Macon, Ga., gets with its Frick cooling system, the work including:

- (1) Air Conditioning
- (2) Ice Making
- (3) Carload Storage
- (4) Freezer Storage
- (5) Cooling Display Cases

Let Frick Refrigeration give your business similar super-service; write



18 inch **\$84.50** at Minneapolis

NOW!
A Well-Built, Low-Priced
POWER LAWN MOWER

For industrial lawns, homes, schools, hospitals.

At a price everyone can afford.

THE
HOMELAWN



Toro Manufacturing Corp.
MINNEAPOLIS
MINNESOTA

America's Largest Builders of Power Mowing Machinery

21 inch **\$98.50** at Minneapolis

Senate Opposes Company Surtax

Most of members seem to agree with Harrison's demand for total repeal. Issue may be decided when conferees of both houses meet next month.

THE major battle over the new tax bill is still to come. This week the measure the House passed was over in the Senate; the Senate began hearings; but the real test of the Administration's strength will not be on the floor of the upper house. It will be in conference.

When representatives of the House and Senate get together to tamp down differences in each other's legislation, the whole question of the undistributed earnings tax will be reopened. That will

be—in all probability—some time next month.

As the bill now stands, business men have got a break. The "third basket" tax on closely held corporations has been eliminated, and only a mild remnant of the original undistributed earnings tax lingers—that on corporations with incomes of more than \$25,000.

And the Senate has given clear indications that it doesn't want even that much. Sen. Harrison, chairman of the

Farmers Vote "Yes" on Crop Quotas



TWO GEORGIA VOTERS PONDER THEIR BALLOTS



Underwood & Underwood
SEC. WALLACE

First referenda under the new farm law, held over the weekend, proved what was known in advance—that Sec. Wallace gets to enforce marketing quotas for cotton and tobacco this year. The cotton farmers shown here were among those who voted 9 to 1 in favor of control, and the tobacco vote was more than 8 to 1 in favor. A two-thirds majority was required, but that was pretty much assured, for if the farmers had turned down the quotas they would have been ineligible for two years for federal loans to carry over surpluses.

The program aims at a cotton acreage of about 26,500,000 for 1938,

and a crop of perhaps 11,000,000 bales (last year's crop was a record 18,746,000 bales). Fluoridated tobacco marketing would, according to the program, be limited to a little over 700,000,000 lbs. as against 850,230,000 in 1937. Cotton surplus at the beginning of the new crop year next Aug. 1 is expected to be upwards of 12,500,000 bales (under 5,000,000 is considered normal), so marketing quotas aren't ex-

pected to run prices up in the near future.

Curtailment may have important effects in the market for edible oils, however, due to the prospective short supply of cottonseed oil.

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Senate Finance Committee, has declared he wants to wipe out the undistributed earnings tax entirely; and in a preliminary vote by members of his committee, it became clear that the Administration would have a tough time retaining what was still left of that levy.

To make up for the loss of revenues from the "third basket" tax, the House voted a 25¢ a gal. increase in the liquor tax. But Undersecretary of the Treasury Roswell Magill informed the Senate Finance Committee that the House bill still fell some \$22,000,000 short of the \$5,330,000,000 in revenues required by the Treasury.

In view of the uncertain business outlook, however, Congressmen are apt to view any revenue estimates with skepticism. That \$5,330,000,000 figure was postulated on a fairly smart recovery in industrial activity this fall. Though that has its encouraging aspects (insofar as it bolsters hopes), most Senators and Representatives recall that they were fooled last year.

So, if a revenue bill falls short "on paper" by \$20,000,000 or so, they are not likely to get exercised—on the theory that revenues at a time like this can't be figured to the penny anyway. The chief issue in the Senate is whether to hold onto the undistributed earnings tax remnant. The Senate is convinced—if Chairman Harrison's statements are criteria—that business would prefer and would thrive better on a straight income levy.

Senate's Tax Views

More from the Treasury standpoint, the Senate always has felt that a tax based on earnings—and not on retained income—is more productive. It was the Senate that in 1936 insisted on the normal levy, after the House voted to fasten the entire corporation tax on undistributed earnings. Only a last minute compromise saved the undistributed earnings tax at that time.

And if the Senate has its way this year, there will be no compromise. All corporations will be taxed on income, and the rate for the larger companies will probably be in the range of 16% to 20%. That would be in between the lowest rate in the House bill (16%, if all earnings are paid out) and the highest rate (20%, if no dividends are paid to stockholders).

In an effort to appease the Administration, the Senate will try to strengthen section 102 of the revenue law which taxes corporations improperly accumulating surpluses. To date (BW—Mar 5 '38, p.15), this provision has been ineffective, because the government must prove that the non-payment of dividends constitutes improper accumulation of reserves. The Administration fostered the undistributed earning tax to meet this legal difficulty. And that is still the big issue in the current tax bill.

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At Boston Electrical Show



About 7,000 electrical men turned out last week for the largest electrical trade show held in Boston since the World War. Headquarters of the show, under the auspices of the Electrical Manufacturers Club of New England, were at the Boston Garden, where 140 booths displayed the latest products of 450 manufacturers representing 80% of the industry in the United States. Space was sold out weeks before the show opened.

Left to right in the picture above are Arthur J. Hurley, chairman of the show committee and sales representative of the Collyer Insulated Wire Co.; W. F. Taylor, New England manager of Allis-Chalmers Mfg. Co., which won the first prize for instructive display; and Thomas H. Carens, vice president of the Boston Edison Co.

Tool Engineers' Show

Production men hold first exposition. 20,000 visitors see 162 exhibits.

LAST week a lusty infant among technical societies, the American Society of Tool Engineers, composed of men interested in the manufacturing phases of mass production industries, suddenly skipped over the adolescent stage to full fledged manhood, by staging one of the most successful machine and tool shows ever held.

There were 162 exhibitors. More than 20,000 visitors packed Detroit's Convention Hall, day after day from Mar. 9 to 12. They provided enough direct sales and sales leads to keep sales forces busy following up for weeks to come.

Industry Crashes the Gates

An hour after the show opened, one exhibitor had more than covered all expenses connected with his exhibit. At times it was even impossible to register the visitors or collect passes at the doors fast enough. Industry just crashed the gates.

Yet out of the thousands who attended, not more than 500 were classifiable as "general public" or curiosity visitors (required to pay admission). The rest were such people as produc-

tion executives, master mechanics, superintendents, foremen, and sales representatives of machine and tool companies that did not have exhibits in the show and wished they had.

The exhibits were mostly "consumption" rather than "capital" goods: tools, fixtures, chucks, lighter types of machinery, etc. Products such as these have suffered lately because of the low state of industrial production.

The preponderance of lighter instead of heavy machinery was largely due to a ruling of the National Machine Tool Builders' Association prohibiting its members from exhibiting machine tools anywhere except at the N.M.T.B.A. show itself, held every three to five years.

Some members got around this, however, by exhibiting other products, and plastering the booth with photographs of their machines. Exceptions, of course, were machine tool builders who do not belong to the association, including plastic molding machine manufacturers, who had a regular heyday at Detroit, and independents such as Michigan Tool Co. (gear cutting), H. R. Krueger & Co. (multiple drilling machines), Snyder Tool Co. (special machinery).

Machine Tool Buying

Detroit finds improved business, and expects Ford and G.M. to act soon.

MACHINE tool business is once more opening up in Detroit. Partly due to the arrival of the long delayed buying season in connection with 1939 models, partly to purchases for improved manufacturing efficiency and even increased capacity, capital goods manufacturers should have a pretty profitable time of it in the next few months.

Only needed now to make 1938 a good machine tool year in Detroit is the breaking loose of the Ford River Rouge plant capacity expansion program, and the crystallization of General Motors' big buying program, reported to be one of the largest in the company's history.

Already some new machinery orders have been released by G. M. plants, but big buying is still some three to six weeks away. Even if Ford doesn't decide to go ahead this year in bringing Rouge plant capacity up to 7,000 cars a day, and even if G. M.'s program is reduced somewhat before the orders are signed and sealed, machinery sales for 1938 will certainly be much better than anyone would have anticipated even six weeks ago.

Meanwhile Russia and Japan continue to add to their purchases of machinery in this as well as other sections to further boost the total.

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Business Abroad

Europe's latest war scare starts rush of frightened capital to America, into the commodity markets, or in search of gold. Business and political conditions in France deteriorate. Canada believes business recession may have touched bottom.

EUROPE had its worst war scare since 1918 this week. It will have the jitters for a long time.

If Germany stops to digest Austria, and later moves cautiously in settling the question of the German minority in Czechoslovakia, there may not be trouble. But if Berlin believes that France is too weak to act now, or that Britain will not sanction any aid for Czechoslovakia in case of attack, there may be trouble, for Czechoslovakia will inevitably fight rather than capitulate. And once trouble starts, it is very likely to spread.

The Polish-Lithuanian controversy this week is another indication of German pressure. The Polish Corridor which separates Germany from East Prussia and gives Poland an outlet to the sea is German, and Hitler is determined that it be returned to the Reich. Germany, however, has a 10-year pact with Poland which it is not likely to break. But if Poland could have German support in "settling an incident" with Lithuania, it might easily end up with control over the little Baltic states, an outlet to the sea, and a deal with Germany returning the Corridor and removing the cause of perpetual friction with the Reich. It is almost certain that no power would come to the aid of Lithuania.

If German arms and highly trained soldiers assist Mussolini in winding up his campaign with the Spanish rebels with the capture of Madrid, it will assure Germany of a voice in the control of that country and give Rome a bargaining point when Great Britain attempts to make a deal in the Mediterranean.

Business Week still believes that Italy is little more than a tool in the Rome-Berlin alliance. The natural outcome of Germany's expansion program, if it follows the plans laid down in Hitler's "My Battle" (page 13), is a greater economic union comprising all of the territory between the Baltic Sea and the Mediterranean and Black Seas. It will be difficult to accomplish; certainly resistance will be greater than it has been in Austria.

Nevertheless, each bit that is accomplished gives Germany—with a growing and closely-knit country—a greater superiority over Italy's empire, which is most likely to spread first along the comparatively arid southern shores of the Mediterranean.

Whether or not Mussolini is disturbed by this outlook will be evident in the next few months, for within that time he is likely to come to terms or to blows with the British.

France is playing into the hands of the Germans and Italians. French economic conditions are bad, and are growing worse.

The newly formed Blum government is not one which will last. It is possible that the next sharp break in the franc will precipitate a financial crisis, the fall of the Blum cabinet, and the creation of a national coalition government. Or the inability to form such a government might cause an open break between the Right and the Left. That is the weakness in France today, and it is as much a solace to Mussolini and Hitler as it is a worry to London.

These are the factors which influenced world markets this week. Frightened capital from Switzerland, from Holland, and from France fled to London. There it was used to buy gold, or to buy commodities or to buy dollars. It pushed down the value of every

free currency in Europe. It strengthened the price of commodities. It created a demand for gold.

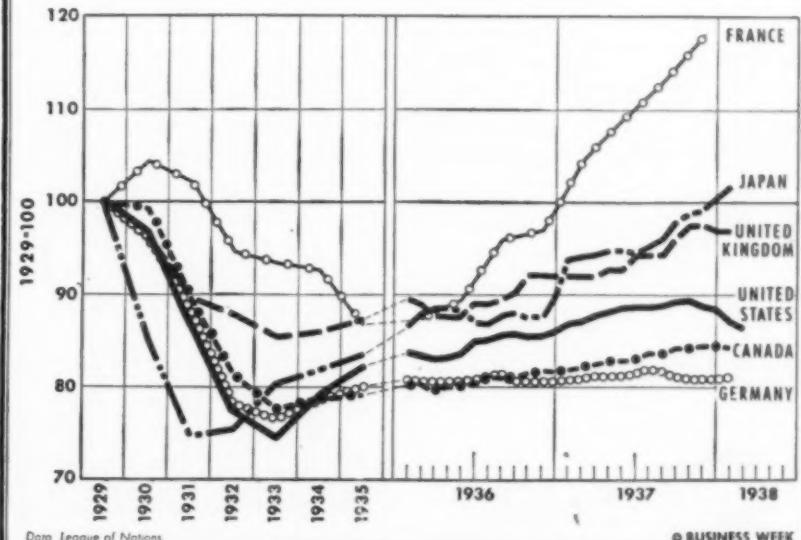
This will continue. An embargo on capital exports from France is inevitable if there is another precipitate drop in the franc, or if the present drain continues for long. There is likely to be a steady flow of funds to America, in one form or another. The fear of war may be lessened in the next few weeks from the high pitch to which it was forced by the German move into Austria, but it will not go back to where it was a month ago. War flames have crept nearer to Europe's powder kegs.

Great Britain

Continental capital flees to London and New York. Stocks are weak on fear of mounting taxes. Imports soar; exports slump.

LONDON (Cable)—Supporters of the recent Foreign Minister, Anthony Eden, are having their opportunity this week to taunt the Chamberlain followers with I-told-you-so jibes. The Prime Minister is, in fact, on the spot. If Mussolini's silence this week means that he has a deal with Hitler, Chamberlain's policy would seem to be defeated and a change in government will come as no surprise. So far, the only indication of a change of policy is the notable hardening of the editorial attitude of the London

WHAT'S HAPPENING TO LIVING COSTS



"FRANCE IS EXPENSIVE" is no longer just a tourist reaction. Workers watch mounting prices for bread and wine and cheese and declare they have been climbing faster than wages. Employers insist

that prices must go up to meet the sharp wage increases forced on them in the last two years. In Germany, it's different. There, in spite of scarcity, prices change little because of government controls.

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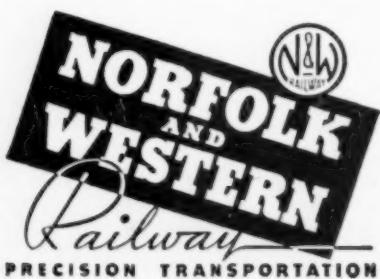
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1838—A CENTURY OF SERVICE—1938



As Hearings Got Under Way on British Pact



Wide World

BIGGEST BATTLE in the negotiating of the Anglo-American trade agreement will be over textiles and raw wool. New England textile manufacturers have organized to protect their business, and western wool growers are ready to fight any reduction in the duty on wool. When hearings on the trade pact opened in Washington on Monday, Representatives Edith Nourse Rogers and Allen T. Treadway (shown here), both of Massachusetts, and both consistent and bitter opponents of the whole reciprocal trade program, were among the first to present arguments against the reduction of duties on products imported from Britain.

Times, the newspaper which is said to reflect the attitude of the Eden successor, Lord Halifax.

All markets have been dominated by Continental developments. There is a genuine war scare, coming simultaneously with the return of a not-very-welcome Blum government in France. Capital has been flowing into London all week, but much of it has gone immediately into gold, into dollars, or into commodities.

Stock prices were higher early in the week when this influx was at its peak, but dropped against the soaring fears that the war scare would boost defense expenditures far beyond present high levels and ultimately react on taxes and British profits.

Foreign trade figures for February add to the gloom. Imports continue to climb far ahead of last year's figures, while exports are down. Much of the rise in imports is due to heavy purchases of food products.

New orders for ships are helping to take up the slack in the steel trade, but automobile manufacturers are delaying new contracts. Intensification of the arms program is expected to force more business out of Britain because of the pressure to complete the program at the earliest possible date. The week's developments in Austria and in Spain, with the little alarm along the Polish-Lithuanian border, will speed arms programs in every country.

Germany

Berlin evaluates the assets and liabilities of Austria on German and foreign business.

BERLIN (Cable) — Whatever opinion the world has of the methods used, the union of the Reich and Austria unquestionably satisfies the aspirations of majorities in both countries, regardless of party sympathies. By carrying out his dream of Anschluss, Hitler has removed the constant factor of uncertainty in Central European politics. On the other hand, the temptation of success increases the psychological danger of further adventures, though it is not believed here that any decisive moves will be taken before Austria's assimilation is completed.

Business faces a difficult period of merger and adjustment of the German and Austrian economies. Here are Germany's major gains: (1) The isolated German economy is strengthened by the addition of 32,000 sq.mi. of territory and nearly seven million people. (2) Austrian ore, timber, and water-power are welcome additions to the inadequate raw material base of the Reich's four-year plan for self-sufficiency; (3) owing to the new frontier, Germany gets direct access to the Italian, Yugoslavian, and Hungarian markets while Austria generally offers an ideal springboard for Germany's in-

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tensified economic drive for markets in southeastern Europe.

Germany's liabilities from the deal are: (1) Austria, more than Germany, is dependent on food imports, making agricultural self-sufficiency an even greater and more difficult problem for the Reich; (2) Political necessity for speedy absorption of Austria's 400,000 unemployed implies huge work-creating investments (the highway program will be pushed to Germany's new borders) at the Reich's expense.

Austria pays a high price for access to the big German market by submitting to the strict regimentation of the Reich's totalitarian system, and by exchanging a free and sound currency for the fictitious Reichsmark with all its foreign exchange restrictions; a transfer moratorium on outstanding debts and the surrender of a gold reserve three times bigger than the Reichsbank's own.

Austria also must accept German tourism instead of the highly profitable foreign tourism which covered her trade deficit. By joining the Reich, Vienna also will be forced to sever its highly developed banking and other international relations.

The union's immediate repercussions on foreign business—as foreseen in Berlin—are: (1) Extension of Germany's currency restrictions depreciates Austrian bonds; (2) Substitution of the Reich's highly restricted system for Austria's free foreign trade régime, combined with the duty-free competition of German manufactures, is bound to curtail foreign imports into former Austrian territory; (3) Greater Germany's bargaining power in negotiating commercial agreements has been considerably strengthened.

France

Life of Blum government will be short. Economic conditions are bad.

PARIS (Wireless) — The spectacular weakness of the French franc all this week indicates the lack of confidence in the newest Blum government as well as the fear of serious trouble in Europe. Economic and political conditions in France are genuinely alarming, especially in view of the possibility that the dictators will seize this opportunity to carry out more of their adventures. Even if France shows its usual alacrity in forgetting internal differences in the face of a foreign threat, the country is in bad shape to start a war. It is admitted here that the democracies, not having forcefully opposed the first moves of the dictators, must be ready to fight now, or to yield.

Conditions in France are steadily growing worse. The deficit in the French credit balance in January was

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1,441,000,000 francs, and in February it was 1,969,000,000. Industrial production, as measured by the government's statistical bureau, stood at 98 in January, against 102 in December. Pig iron, steel, and coal production all registered declines. Motor car sales in January were 27,682, against 30,409 in December.

The Blum government is not expected to last long. It will fall on account of financial difficulties which may be serious enough to precipitate a crisis which will at the same time place an embargo on export of capital and bring into power a national coalition government with emergency powers.

The closely-related Belgian situation is also unfavorable. Steel, textiles, and coal are slacker than at the year-end. The budget is seriously out of balance. The outlook is not good.

France anticipates a Franco victory in Spain soon, with fresh support from Germany supplementing the rather ineffective Italian aid of recent months.

Canada

Industry is fairly steady at recent depressed levels. Fight over rights of provinces vs. Ottawa powers resumes.

OTTAWA—Indications are now more pronounced that Canadian industry, as previously reported, is to a considerable extent stabilizing at about an average of the levels of the first of the year. A reliable current survey shows that for the first time since the autumn, production for the past month has been stationary over a large part of the industrial field, while about as many individual concerns are experiencing increased activity as are being subjected to falling off. Of concerns reporting for this survey, 45% show February production equal to that of January, and 25% show expansion. But the general level is lower than a year ago, and 60% of the concerns less active in February than in February of 1937. The depressed newsprint industry is seriously affecting general business.

The Canadian steel industry has booked substantial orders, in part based on railway equipment requirements. Canadian National recently placed orders amounting to \$10,000,000 for freight cars, and Canadian Pacific's orders, previously anticipated, will run to \$15,000,000. They include 25 locomotives and another 10 are expected to be ordered. Also included are 50 automobile cars and 50 overhead tank refrigerating cars.

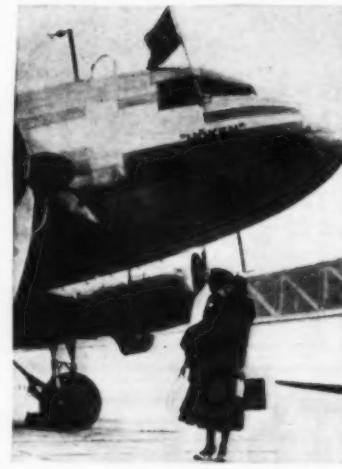
Declining exports, however, darken the picture. The drop in February from the same month last year was \$14,000,000, reducing the gain for 11 months of the fiscal year to \$23,000,000.

Wholesale and retail trades re-

Stockholm's New Airport Makes Sweden Air-Conscious



Globe



port fairly satisfactory early spring turnovers. The current economic index is 110.9 as compared with 107.9 for the previous week. Carloadings and bank clearings are off again. With wheat prices falling, buyers at Winnipeg are holding off.

The automobile industry is doing more of its manufacturing in Canada, importing fewer parts from parent United States plants, and employment is higher than a year ago.

The Ottawa government is going to have to fight for retention of one of its chief sources of revenue, the income tax. The legislature of Ontario, richest of the provinces, has just passed unanimously Premier Hepburn's resolution calling on the federal administration to hand over this tax source to the provinces. Ontario claims the income tax belongs exclusively to the provinces under the constitution and that the federal government usurped it. Quebec, second richest and most influential province, will probably join in the fight. These central provinces contend that too much money is taken from them and handed over to the poorer western provinces.

In this connection, the House of Commons has just heard a charge by ex-

FOR ALL their advances in many fields, the Swedes have been surprisingly slow in cultivating the airplane. Until recently, air service has been to and not through the country, with most planes stopping at Malmö on the southern tip of Sweden.

A new era was ushered in with the completion several months ago of the Bromma Airport at Stockholm. And with the establishment of regular service to the capitals to the south the country is rapidly becoming air-conscious.

For all that Bromma is Sweden's first big airport, it is one of the world's most modern, with concrete runways and all the latest technological aids to flying.

The planes used are mostly American importations, such as the big Douglas at the left.

Prime Minister Bennett that the Bank of Canada which he founded in 1935, the country's central bank, is being subjected to political influence in behalf of the hard-up provinces. Ontario, he said, had been refused a loan by the Bank of Canada but subsequently a \$3,000,000 short-term loan was made to another province. It was not paid when due and was transferred in the books of the bank to the "investment" column. Bennett said that when he established the bank he placed it under private control to preclude political influence but the present government brought it under its control.

Further restraint on creditors is proposed in new bills of Alberta's Social Credit government. Foreclosure by mortgage holders is made virtually impossible. Another measure provides that debtors may place their obligations in the hands of a debt adjustment board and be liable to creditors for only a quarter of their income.

General Motors of Canada last week marked production of its millionth automobile at Oshawa. The first car was built in 1907 and value of production since then was \$587,000,000 and the payroll \$126,000,000.

Money and the Markets

Seizure of Austria and resultant European tension upset financial markets, causing stocks to swing widely and contradictorily. Wheat rises on war scare, and gold influx boosts the dollar.

TENSION of European affairs this week severely shocked financial markets here and abroad. This despite the fact that domestic stocks had scored fairly sharp gains in the first couple of days of the week, aided by a dribble of capital from abroad seeking refuge in American securities.

Opinions were so confused, and changed so rapidly, that it wasn't a true "war market." Stocks swung widely and in somewhat contradictory fashion. The so-called war stocks went down when the main body of shares turned weak instead of resisting the trend. Sugar, which ought to be a war baby, plumbed new lows on Wednesday. Metals, which were war favorites on Tuesday, had great difficulty retaining their gains.

Wheat, of all the commodities, came the closest to reacting as it is supposed to when war scares come close to frenzy. The bread grain had slumped to new lows for the season early this week. But, when stocks broke on Wednesday, wheat immediately began a swift climb which carried it up nearly 3¢ a bu. for the day.

The rise in wheat was expedited by a sharp expansion in flour mill activity. The millers had been operating at low levels until, attracted by the slump in the wheat price, orders stepped up sub-

Monthly Index Normal = 100

	1935	1936	1937
January	63.4	72.8	79.3
February	63.1	69.1	79.8
March	63.7	68.1	79.3
April	62.4	71.9	78.1
May	63.5	74.3	78.8
June	63.5	74.1	76.9
July	63.5	76.9	78.9
August	66.3	77.4	78.7
September	66.4	76.6	76.5
October	67.1	76.1	69.8
November	69.4	77.1	65.4
December	75.0	82.4	64.3
Annual Average.	65.6	74.9	75.4

FOR THOSE who like their business statistics by months, *Business Week* presents a month-by-month average of its weekly index figures for 1935, 1936, and 1937. In the July 4, 1936, issue these figures were carried back through 1929.

stantially. Bakers were reported to have small stocks of flour. The combination of mill buying and war-inspired speculation couldn't be denied.

General mobilizations and soaring armament appropriations in Europe precipitated a general currency crisis. Monarchs of small countries which had been hoping to remain independent were de-

pressed by contemplation of Austria's fate, declining along with the British pound and the French franc. Gold once more began to flow from Europe to the United States, sending the dollar to the highest level in months.

In view of the Treasury's new policy of allowing \$100,000,000 of gold to flow into the credit structure in any quarter before starting sterilization, this gold flow is significant. It's hot money, but it will add to banks' excess reserves. These excess reserves, incidentally, are up to \$1,470,000,000.

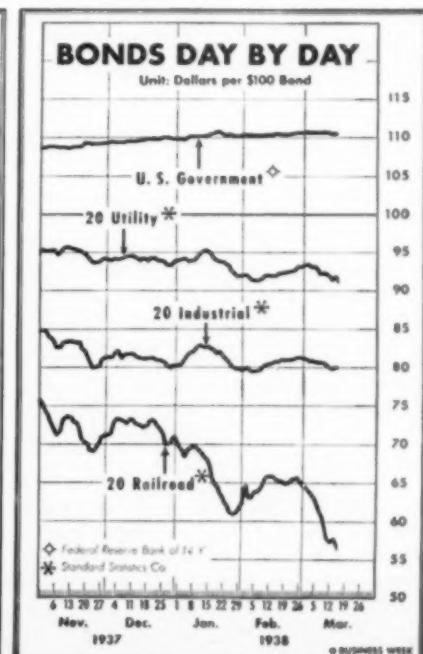
In view of the week's foreign news, domestic developments got little attention. Higher auto and steel operations, rising farm implement output, and tin plate operations of about 50%, against 30% early in the year, were virtually unnoticed.

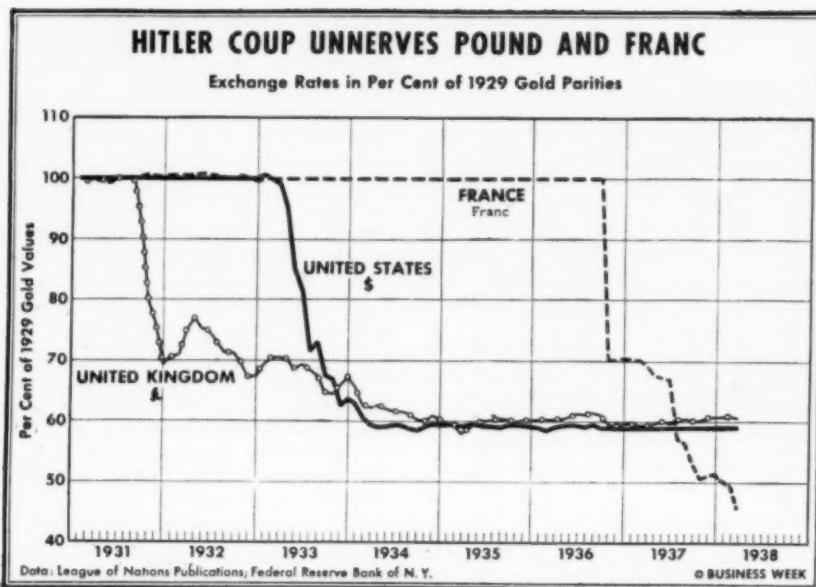
Which Way Metals?

Dealers puzzled by conflicting influences, largely arising from European situation.

DIVERSE influences shoved and hauled on metal prices this week, giving the non-ferrous dealers a most intricate job of adjusting to do. War scares and flight by Europeans from currencies into things aided prices; the armament race gave renewed evidence of providing a big backlog. Possibility of imminent conclusion of the Spanish civil war may alter supply and demand factors. There are some signs of reawakening industrial demand in the United States, but supplies in this country are burdensome and continue to grow.

All things considered, the non-ferrous





metal people in this country are perhaps a wee bit more hopeful than at any time for several months. Yet they fully realize that pitfalls abound. For example, when armament demand and inflation fright provide the backbone of foreign demand, the situation is about as stable as a powder mine.

Copper statistics (see chart, page 15) are susceptible to many interpretations. This week's figures, covering February, show a healthy balance between production and consumption abroad. The reverse is true in the United States. Refined output last month exceeded consumption by about 27,000 tons, and stocks on hand spurted again. The narrowing of the gap between production and consumption was shallow consolation. Output of blister (unrefined) copper by mines and smelters has been cut 40% since the 1937 high, but the reduction hasn't been nearly deep enough to secure a balance with the demand.

Reductions in prices of several semi-finished metal products in the last few days have been regarded as significant. The cuts have brought new-order inquiries from fabricators who had been on a buyers' strike. Important reductions include leaded zinc oxide (widely used in pigment manufacture), brass (which fills a myriad of industrial and building industry needs), and white lead (which is basic in the paint industry). These things mean enough to construction so that they may be straws in the wind on building prices.

Goldfish Bowl—In the past, the principal reason why brokers kept their financial affairs to themselves and their banks was that they feared that customers' men might misuse the information. There was the danger that a customers' man would try to wean a client from a competitor to his own house by

suggesting that his firm's capital was larger than the other firm's.

But now, after the Whitney affair, brokers are anxious to take the mystery out of their business. They want to reassure customers who are nervous (page 16).

Customers' men, furthermore, are not apt to be much of a problem these days. First, there aren't as many of them as there used to be; second, they are better trained now that the exchange calls on them to take intelligence tests before qualifying them for jobs.

Arachis Hypogaea—Peanuts to you; groundnuts, they call them abroad. Anyhow, the peanut is the latest commodity to be admitted to the future markets. Trading in peanut futures started on the New York Produce Exchange on Tuesday, Mar. 15.

The United States each year devotes more than a million and a half acres to the growing of peanuts; production runs upwards of a billion and a quarter pounds; farmers rake in \$30,000,000 or so on the crop. Unlike Europe—where most of the peanuts grown are converted into oil—this country uses most of the

production in the form of roasted nuts, in peanut butter, and in various confections.

Nevertheless, peanut oil production has become an increasingly important factor in recent years. Subsidies from the Department of Agriculture for diversion of peanuts from customary outlets into oil have played a part in the trend; the shortage of cottonseed oil and lard in 1934, 1935, and 1936 did the rest (see the accompanying tabulation).

Although the peanut is fairly familiar in most of its uses, its increasing importance in the field of edible oils has attracted some attention. Even without refining, it yields a relatively high-grade oil. Refined, this oil takes its place alongside cottonseed oil in uses and in price. Right now it is quoted around 8½¢ a lb. (the domestic market is protected by a 4¢ a lb. tariff) and isn't selling very actively because cottonseed oil is about 4¢ to ½¢ lower.

The Produce Exchange has adopted as the standard trading unit 30,000 lb. of "U. S. Standard No. 1 Shelled White Spanish Peanuts" laid down freightpaid in New York. The seller may deliver to buyers several alternative grades if the standard type is not available: U. S. Shelled Runner Peanuts, U. S. Extra Large Virginia Shelled, and U. S. No. 1 Virginia Shelled.

Cotton's Relapse—In the last fortnight, offerings of cotton have been somewhat more plentiful. This has resulted from several causes, not the least of which has been the disposition of growers to sell when the price got fairly well above the government loan figure of 9¢ a lb., as noted in *Business Week* (BW—Feb 26 '38, p 49). Prices have slid 40 points (about \$2 a bale) from their recent highs.

Things which have jolted the market include the declining trend of exports, disappointing domestic consumption, emasculation of the Smith amendment to the new farm law, and, in general, a clearer understanding on the part of farmers of the government's whole loan-and-bonus program. Favorable, from the very-long-pull point of view, was the

Some Facts on Peanuts

	Peanuts		Peanut Oil		Net Imports (In Pounds)
	Production (In Pounds)	Avg. Price per Lb. on the Farm	Consumption (In Pounds)	Production (In Pounds)	
1929.....	791,355,000	3.80¢	18,000,000	27,079,000	8,050,000
1930.....	722,745,000	3.57	25,000,000	15,548,000	7,661,000
1931.....	1,059,745,000	2.05	21,000,000	11,568,000	7,693,000
1932.....	1,041,150,000	1.54	15,000,000	14,502,000	1,489,000
1933.....	967,620,000	2.83	14,000,000	9,792,000	1,318,000
1934.....	1,123,040,000	3.29	26,000,000	55,596,000	2,722,000
1935.....	1,302,805,000	3.13	122,000,000	64,407,000	80,723,000
1936.....	1,300,540,000	3.39	120,000,000	70,000,000	49,006,000
1937.....	1,291,655,000	3.10*	†	51,000,000	57,999,000

* Estimated.

† Not available.

overwhelming vote of producers in favor of marketing quotas.

So far as the Smith amendment is concerned, the Comptroller-General helped the Department of Agriculture out of a touchy spot. The comptroller's office said that, under the Smith amendment, the stipulated 2¢ bonus payments could not be made until adjustment payments heretofore authorized had been computed. These latter haven't been computed and won't be for months, so the amendment's allure is minimized; it probably won't entice farmers into selling cotton to the Commodity Credit Corp. (where it would be impounded until such time as the price approximated 12¢ a lb.).

Exports, since Aug. 1, which were more than 400,000 bales ahead of last year early in 1938, now are running barely 300,000 ahead of a year ago. They totaled only 398,744 bales in February against 647,481 in January and 486,411 in February last year. Exports for the season to date (Aug. 1 to the middle of March) were 4,657,985 bales compared with 4,348,727 in the same period a year ago. The slump in exports during the last few weeks reflects directly the recession in the textile industry abroad.

Domestic consumption in February was 427,528 bales against 434,740 in January and 665,677 for February, 1937. For the season to the end of February, domestic mills have consumed 3,512,826 bales against 4,620,965 in the comparable seven months a year ago. Adding exports and domestic consumption, disappearance in the first seven months of the current crop year was 8,170,811 bales compared with 8,969,692 in the like 1936-7 period.

Speculative Interest—Cotton market technicians for some time have been puzzled by the relatively small amount of trading on futures markets. It figures out something like this:

The 1937 crop was 18,746,000 bales, and the carryover (at home and abroad) a little more than 6,000,000, a total of perhaps 24,800,000 bales. Disappearance to the middle of March presumably was about 8,400,000 bales, leaving a total supply of American cotton of perhaps 16,400,000. Slightly less than 5,100,000 bales of the 1937 crop are pledged under government loans, and about 1,670,000 bales are still held in the loan stock from previous years, reducing the free supply of American cotton to something like 9,630,000 bales.

With that much cotton around loose, it would be expected that hedge selling would be pretty large. Yet the volume of open commitments, or "open interest," on leading cotton exchanges has been declining steadily. On Mar. 12 the open interest on the New York Cotton Exchange was only 2,671,600 bales compared with 3,265,200 early in Decem-



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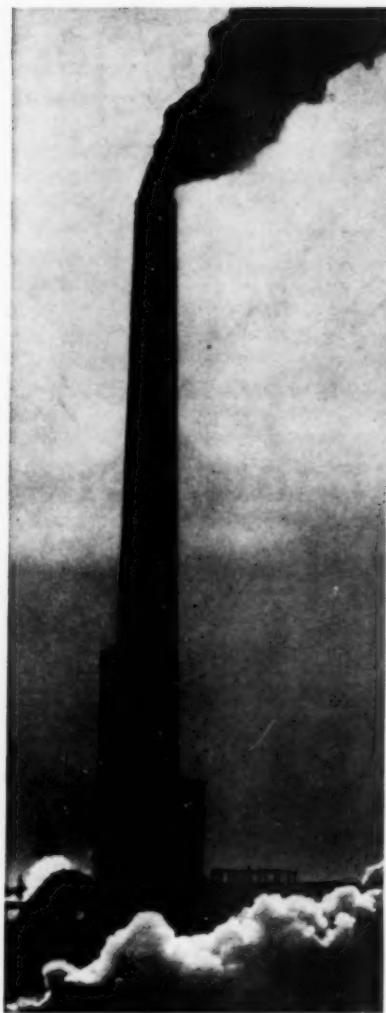
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ber; during the same period open commitments in New Orleans dwindled from 488,300 bales to about 400,000.

Thus with free stocks of American cotton totaling more than 9½ million bales open contracts against them total only a little more than 3 million bales on the country's two largest exchanges. From this it appears that a very large part of this season's cotton is unhedged—unprotected against price fluctuation. Presumably, this is in part due to the huge 1937 crop and in part to confusion over the government loan program.

Cottonseed Oil—While visible supplies of cottonseed oil are large—due to last year's record cotton crop—the market for the oil continues to attract a great deal of attention due to the record rate of disappearance. February's apparent consumption, at 428,531 bbl., was a good bit over expectations, and it compares with a figure of 176,820 bbl. for the same month last year. Consumption figures for the first seven months of the season (in barrels of 400 lb.) compare as follows:

	1937-8	1936-7
August	316,781	253,426
September	394,499	261,922
October	484,633	242,088
November	435,386	264,192
December	358,329	351,616
January	369,149	306,558
February	428,531	176,820
Seven months	2,787,308	1,856,622

The visible supply, including oil and seed, was 2,749,600 bbl. at the end of February, practically unchanged from a month earlier, and substantially higher than the 2,054,000 bbl. reported a year ago. Nevertheless, the price of cottonseed oil has been rising steadily (futures in New York are around 8.4¢ a lb.) on the prospect of a much curtailed supply next year due to curtailment of the cotton crop.

This rise in cottonseed oil, at a time when lard prices were wobbly, has puzzled many traders. Lard usually maintains a fairly substantial premium, but it now is hardly half a cent above cottonseed oil. This despite the fact that lard stocks on Mar. 1 were only 116,856,000 lb. compared with 202,476,000 a year earlier (the five-year average, 1933-37, is 125,125,000 lb. on Mar. 1). Many observers feel that if cottonseed oil supplies are to be short 10 months or a year hence the situation should benefit lard. This despite the fact that hog slaughter, by weight, probably will be higher this fall than last.

The Department of Agriculture reports that hogs totaled 44,418,000 head on Jan. 1 against 42,948,000 a year before. It is estimated that runs to market next autumn will be as large as a year ago, and that pigs, due to cheaper feed, will be fatter. The spring pig crop is expected to be about 5% larger than in 1937. This is the background for expecting somewhat larger lard supplies.

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Editorially Speaking—

SIGN on a movie marquee:
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WHEN Ambassador Kennedy, arriving in England, was received by the commander-in-chief of the Plymouth station, Admiral Hon. Sir Reginald Aylmer Ranfurly Plunkett-Erle-Drax, we trust that the ambassador's tongue did not at any moment put his host's penultimate and antepenultimate names in transposition.

AND how dreadful it would be if somebody, while allotting the screen credits for the movie, "No Time to Marry," transposed the names of the man who wrote the original story and the man who wrote the scenario—Paul Gallico and Paul Jarrico!

If we arrange the details of student life in such a way that the future doctor, the future lawyer, the future banker, the embryo scientist, and the youthful poet all lunch and dine together day after day," says Pres. Conant of Harvard, "then the most powerful forces making for a liberal education are set at work." The forces of digestion.

AROUND the country goes Mrs. Frances Haskell Edmondson, Texas politician, sounding an alarm against marihuana. Seven months ago she became a deputy sheriff of Bexar County, Tex., and two months ago she gained the lofty title of Texas Ranger. We presume that both appointments were made to help her in her war on marihuana, and that she doesn't do any regular rangering and sherrifing. If we're wrong, doubtless someone will correct us. But what really interests us is that Northern papers, in writing about Mrs. Edmondson, say Bexar County is pronounced Bear. And that's right, too, as everyone who's been in San Antonio has found out; and some day the news will even reach the dictionaries, which still insist on the pronunciation Bay-ar.

WHEN reporters asked President Roosevelt about his railroad conference, he said it was a very informal meeting that should not be dignified by the name of conference. We're glad to see that somebody is at last making an effort, however tentative, to specify what a conference is and what it isn't.

WE see by the papers that the honor of President Laredo Bru of Cuba was upheld when his secretary, Jose Bringuer, fought a sword duel with a representative who had denounced Laredo Bru. The valiant Bringuer inflicted slight wounds on his adversary, and then they embraced, and then they left the field of

honor. And as we read these sonorous statements, we wonder: What field of honor? How was Laredo Bru's honor upheld? What is Laredo Bru's honor and how can anybody but himself uphold it? What is all this gibberish? Do the people who mouth these phrases have any idea of what they're talking about?

SAFECRACKERS took \$1,000 in Revere, Mass., and left behind "their textbooks," two looseleaf notebooks containing full instruction on the business of cracking strongboxes," says the Associated Press. There would seem to be an appreciable market for such literary ware. We'll have to suggest it to our friends in the McGraw-Hill Book Co. Of course what's wanted is a mass sale, and the logical method is probably a correspondence course, which could be strongly advertised in many magazines and newspapers: "YOU TOO CAN BE A CHAMPION YEGG." Or, "HOW DO YOU KNOW YOU CAN'T CRACK SAFES?"

TOPEKA, which built a junior high school in 1925 and named it Roosevelt, has now made its original intention clear by renaming the school Theodore Roosevelt. This is just clarification, not partisanship, from the home town of the last Republican candidate for President.

EVERY patriotic American's blood must have boiled and bubbled when he read that Gracie Fields, an English comedienne, who is practically unknown in the United States, gets \$750,000 a year in the English movies. That's far and away above the salary of any American movie actor. Can we stand for this? Isn't it mortifying? Mustn't Hollywood immediately retort by raising Gracie Allen to \$1,500,000?

WE suddenly remembered yesterday that Prof. Ellsworth Huntington, Research Associate in Geography at Yale, said last December that June's balmy weather makes people more vigorous and that consequently the babies born in March are the healthiest of the whole year's crop, and, being healthiest, have the best chance of attaining intellectual distinction. We suddenly remembered that this is March. . . . But perhaps March isn't the fittest month for considering Prof. Huntington's full implications.

IN order to raise the illegitimacy rate as a means of steadily increasing the population and making possible a bigger army, Nazi officials announce that "unmarried mothers will not be required to pay the extra income tax imposed on bachelors and spinsters." What of unmarried fathers?



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BUSINESS WEEK

The Journal of Business News and Interpretation

MARCH 19, 1938

Repeal It Altogether

The House has defeated one part of the tax bill that was wrong in principle—the third-basket tax, penalizing family-owned corporations; and now the battle has begun in the Senate to defeat another part that is equally wrong in principle—the tax on undistributed earnings.

Chairman Harrison of the Senate Finance Committee has taken his stand plainly. He wants total repeal of the undistributed earnings tax. But the Administration is making a stubborn and bitter effort to keep the shadow and perhaps the substance of that tax in the new revenue law, just as a matter of principle. This fight for a principle, for a wrong-headed and destructive principle, is what is frightening business.

Many corporations could pay the undistributed earnings tax imposed by the House bill and have a substantial surplus left. But it is the principle of that tax, this punitive principle to which Mr. Roosevelt clings, that is doing so much to destroy confidence. It is recognized as vicious and menacing. What is a small rate of tax this year can become a large rate next year. The present bill gives no assurance as to how far the tax on retained earnings will eventually go.

It is much more important to defeat the principle of this tax than it is to take off the last 1 or 2% of the tax rate. Percentages are temporary; principles are apt to have permanent effects.

The present political situation is dangerous. It will remain so until business has an assurance that the Administration's vindictive and destructive policy will not be carried out. We have reached a point at which business must get that assurance now—not from the Administration but from Congress.

Only in the independence of Congress from Rooseveltian domination can business find an adequate basis for its healthy economic actions. Sen. Harrison's attitude is in effect a demand for Congressional independence. He not only opposes the punitive principle of the undistributed earnings tax and demands the outright repeal of that tax, but he also advocates a simplifying revision of the capital gains tax, in order to encourage new investment and to melt frozen credits; and he urges a reduction of some of the high surtax rates,

and an effective extension of the income tax to the lower income levels by reducing exemptions.

Not all of this program, as Sen. Harrison himself indicates, is likely to be accepted by Congress this year; but the mere enunciation of the program is a strong symptom of increasing Congressional independence. And its leading provision—the complete repeal of the undistributed earnings tax—should be fought for vigorously in this session. The fight is against the bad principle of that tax. It is also against the extension of President Roosevelt's power.

On more than one question, the issue of Congressional independence versus Presidential domination has been joined. Congress, for example, has been asked to give the President enormous authority for reorganization of the government. That bill should be rejected. The necessary reorganization of the government should not be the task of the present President. Congress should keep him strictly within bounds. It should reject his general policies, of which the most urgent at the present moment are his policies of taxation. In that field his main demand, the retention of the punitive principle of the undistributed earnings tax, should be beaten down by an assertion of Congressional independence.

Supreme Court And Tax-Exempt Bonds

Sen. LaFollette proposes an interesting effort to solve the problem of tax-exempt bonds. The Treasury Department thinks a Constitutional amendment is needed to end this exemption. Recently the Supreme Court ruled that a state may tax the receipts of federal contractors, and on Mar. 7 (with McReynolds and Butler dissenting) it expressly reversed earlier decisions by holding that the federal government

can tax income derived from oil and gas lands leased from a state. Now Sen. LaFollette suggests that the court may be induced to carry this reasoning further by permitting Congress to tax state salaries and future issues of state and local bonds. Conversely, the states could tax federal bonds and salaries.

Most lawyers think there is no chance that the Supreme Court will sustain this. Yet it deserves discussion, at any rate. If there is a better remedy for the tax-exempt evil, it should be brought forward.

As Europe Faces The Cult of Force

The expected has come to pass in central Europe—only sooner than expected. What is still to be expected will also come to pass—a general European war. Perhaps no European nation will be able to keep out of this catastrophe. The United States can keep out and must keep out.

Hitler has violently seized Austria. His eyes are fixed on Czechoslovakia. The Czechs announce that they will fight—and anxiously they await the response to their voice. The French declare that they will stand by the Czechs; but they look hopefully to Britain. The British? They are not sure. Chamberlain is embarrassed. His supporters, the Halifaxs, the Simons, the Hoares, the wise Lord Astor and the witty Lady Astor, have touted him as a realist. He is a "realist," against Eden's mere "idealism." Yet Chamberlain says Hitler's action shocked him. How is this? A realist would not have been shocked. A realist knows the real situation and can predict what it will lead to. But it was Eden, not Chamberlain, who predicted rightly. He knew the real situation, which is a situation of psychology, not of economics. He knew you cannot appease the fascist dictators, because fascism is a passionate cult of force. Sooner or later Hitler will have his way in Czechoslovakia, or he will fight. Either then or later, most of Europe will fight.

Britain and France are reluctant to plunge into war. If they were in the fortunate position of the United States, they would not do it. The United States should not do it, despite Mr. Roosevelt's inclinations.

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